THE MAGAZINE OF WALL STREET

AUGUST 8, 1931

The Practical Plan to Bring Early Recovery

By CHARLES BENEDICT

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The Mid-Year Dividend Forecast

Part I

100 Leading Rails, Utilities and Equipments Rated for Investment Prospect and Dividend Outlook

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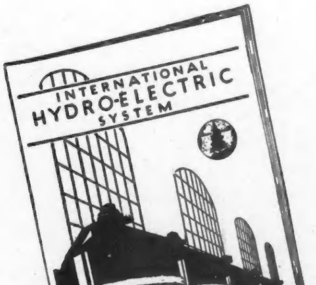

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WITH THE EDITORS

Of What Use Are Brains?

WHEN one contemplates the perfectly needless and useless, except for its disciplinary effects, financial and commercial strain and stress through which the world is passing he is moved to wonder whether the reasoning faculty of men is any better than the instinct of animals in dealing with problems of the group.

Consider now only the gold side of the problem that distracts the world:

The United States possesses about five billion dollars of gold—the basis of monetary credit—and yet it is starving for money, that is to say, credit.

France holds about 2.3 billion dollars of gold and is threatened with disastrous inflation because it has oceans of money and nothing it can do with it at home and nothing that it will do with it abroad.

Across the channel the Bank of England is fighting with its back against the wall to stop the drain of gold to France, which has mounted to a flood of about 180 million dollars within a few weeks.

Across the Rhine the Reichsbank is writhing in agony to hold gold and keep German commercial credit from vanishing.

Plenty of gold does the United States no good, injures France. Too little gold wrecks Germany and makes the British lion groan.

Yet the world's store of gold is greater, vastly greater, in proportion to the world volume of business than it has been for decades. If it were a simple commodity, without the halo of the monetary standard it would be cheaper than silver.

In the face of this situation we find business stolid or paralyzed throughout the world, although want and necessity press for satisfaction everywhere, and yet the means of production, communication and transport have never before been even remotely approached.

The simple reason of this situation is that while we have a surfeit of gold we have a scarcity of money in use, despite falling prices. The banks have plenty of money and little business in money. There is an abundance of basic money and virtually no credit money.

Lacking an international credit policy for the engineering of the plethora of gold, the United States is alone capable of remedying the situation. And we do nothing. If a perfect system of direct exchange of goods—barter—were possible we would soon hear little of overproduction. In the absence of such a system there must always be an abundance of credit to implement the intermediary steps of the complex system of indirect exchange, if production and consumption are kept in balance. We have the means of providing the necessary credit but we do not use them.

Instinct would probably meet such a situation in a community of ants. The reason of men is helpless before it.

In the Next Issue

Part Two of
The Mid-Year Dividend Forecast

Giving the dividend prospect and market outlook for leading stocks in important industries, including:

Steel	**Chemicals**	**Automobiles**
Petroleum		**Accessories**
Metals	**Merchandising**	**Food**

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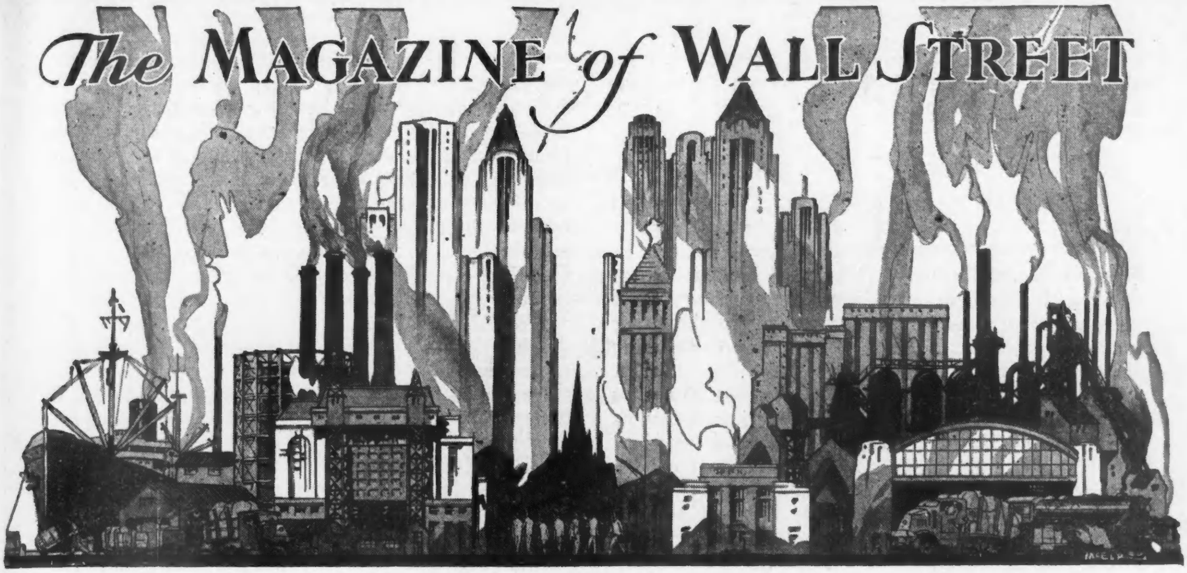

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Associate Editor

Investment and Business Trend

Let's Have Some Inflation—Constructive Policy—Give the Investor a "Break"—A Real Remedy—The Market Prospect

LET'S HAVE SOME INFLATION

DEFLATION is a highly respectable word in the banking community. If you want to command the respect of your banker give him a discourse on deflation just before you ask him for a little inflation of your own account.

If you want to degrade your standing with him, ask him how credit deflation can be cured except by inflation—and complete your ruin by frivolously citing flat tires as an illustration.

The worship of deflation has become banking idolatry.

If ever a country needed inflation (call it expansion for the sake of verbal respectability, if you wish) it is the United States right now. The simple truth is that inflation is the good word for these times, and deflation the evil one.

Broadly speaking, this country should be doing more business than ever. Yet in some lines it is back to the 1910 level, and 40 and 50 per cent of normal are common ratios.

Disregarding "the events that led up to the tragedy," what this country needs is money with which to do business.

The Federal Reserve Banks have about 800 billion dollars of gold in excess of an absurdly high reserve requirement. It is idle, hoarded, futile gold. Reducing the rediscount rate to nothing wouldn't help when there are no borrowers. Potential borrowers have been exterminated by the refusal of the banks to lend. The only way to make bankers lend is to put them in a position that will make them itch to get rid of their idle cash.

Only the Federal Reserve Banks can do that. Let those banks use their gold to buy government securities and the resulting credit will drown the banks of deposit and commercial loans out of their deflation holes.

Two hundred million of that perfectly useless gold in the vaults of the Reserve banks would create at least two billion dollars of ultimate commercial credit. The human cupidity of the bankers would compel them to use it. They would buy bonds and, if nothing else, money would be converted from stagnant to fluid plenty. Business would soon be busy-iness instead of busy-less.

The Reserve banks recently made a feeble gesture in the direction of expansion, but already they have beaten a timorous retreat. They hold the key to the money that business must have if it is ever to recover except by needlessly painful process of infinitesimally small steps. And yet they procrastinate and hesitate while business perishes for the need of what that key will unlock.

If they can't act of their own volition and decision

let them ask what Governor Strong would do if he returned to the earth, and then act on what they know would be his answer.

~

CONSTRUCTIVE POLICY

THE action of the United States Steel Corporation in reducing its common dividend from a $7 to a $4 basis is a constructive development, regardless of its temporary effect upon the stock market. It removes one of the major uncertainties which recently have been weighing heavily upon the financial mind. More important, it represents a frank facing of the facts by the world's largest industrial enterprise. It is to be hoped that its leadership in this direction will be followed by others for the persistent American effort to "save face," beginning immediately after the crash of 1929, is one of the tragic follies of this depression. Every intelligent person must be aware by now that the frantic effort to cling to the standards of a boom era—with maintenance of boom prices, boom dividends and boom wages—is futile. There cannot be the slightest doubt that we would at this moment be much nearer a sound business recovery if we had sooner turned from fatuous hope to cold reality. It would be a waste of time to attempt to interpret the action of Steel's directors as a reflection of their views as to the business outlook. The simple truth is that as early as the last quarter of 1930 earnings had ceased to cover dividend requirements. That some payment should be maintained out of a huge surplus is reasonable and proper but in this connection it must be remembered that until comparatively recent years Steel was commonly regarded as a $5 stock and that share capitalization was expanded by a 40 per cent stock dividend in 1927. A $4 rate upon the increased capitalization appears sound and probably can be maintained until earnings recover. The dividend revision and the corporation's reduction of salaries almost certainly will be followed by a cut in wage scales unless there occurs an unexpectedly early and broad revival of business. Since purchasing power depends upon wages, this would be regrettable; but in the long run wages, as well as salaries and dividends, can only be paid out of business earnings. The sooner whatever remaining adjustments are made, as individually necessary, the closer we will approach economic convalescence.

~

GIVE THE INVESTOR A "BREAK"

RECENT developments in the field of foreign finance raise the difficult question of how far bankers should go, helter-skelter, in underwriting and floating foreign loans in this country.

It is notorious that soon after the currency system was reformed in Germany, along in 1925-27, that country was systematically combed by agents of American banking houses looking for opportunities to place loans. It is not unlikely that some of these loans had no justification and that others of them were made to order. Sad particulars of their subsequent history may be gleaned from the foreign bond columns of the daily market reports. The bonds were made to order in Germany for high-pressure merchandising in the United States. They brought easy money to Germany, and there the money was spent in the proverbial way of all easy money. To a considerable degree these hothouse loans are responsible for the reckless spending that has brought Germany to her present plight. Certainly they have involved us in the German mess far beyond any interest of a general international nature.

We hesitate to suggest any sort of governmental supervision of foreign loans, but it does seem as if there ought to be some better method of allocating the placement of American funds abroad than the bond merchandising requirements of competing bankers. In these days of intense international competition in foreign trade our exporters and our bankers ought to do some team work. It is certainly not to the common good for the investment funds of this country to be financing some cat-and-dog adventure in unstable countries when they could be placed in other countries in a manner to finance and promote American trade.

The subject is academic at *the* moment because there are no foreign loans worth mentioning, but it will be a realistic one within a year. Now is a good time for planning some sort of regulation of foreign loans with the objectives of soundness and reconcilement with national interests. We ought not to finance any more credit jags in Germany or anywhere else.

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A REAL REMEDY

TO severe economic evils of any kind there is one hopeful aspect, and that is that, if bad enough, they tend to set up their own curative processes. Conditions in the petroleum industry appear at last to have reached a significant turning point. The nub of the matter is that open market prices have dropped to a level at which the majority of oil wells spout losses rather than profits. Under such circumstances one need not worry about the difficulties of artificial proration. Price will always do the trick. Operators and royalty owners in the important Oklahoma City field have voted to curtail production until reasonable prices again obtain. Similar action is being urged in other areas. Not even East Texas can make money on present prices and that fact is sufficient to force the most stubborn wild-catters to ultimate curtailment. Our millions of automobiles continue to burn gasoline. A few months enforced vacation for production would improve the industry's position tremendously.

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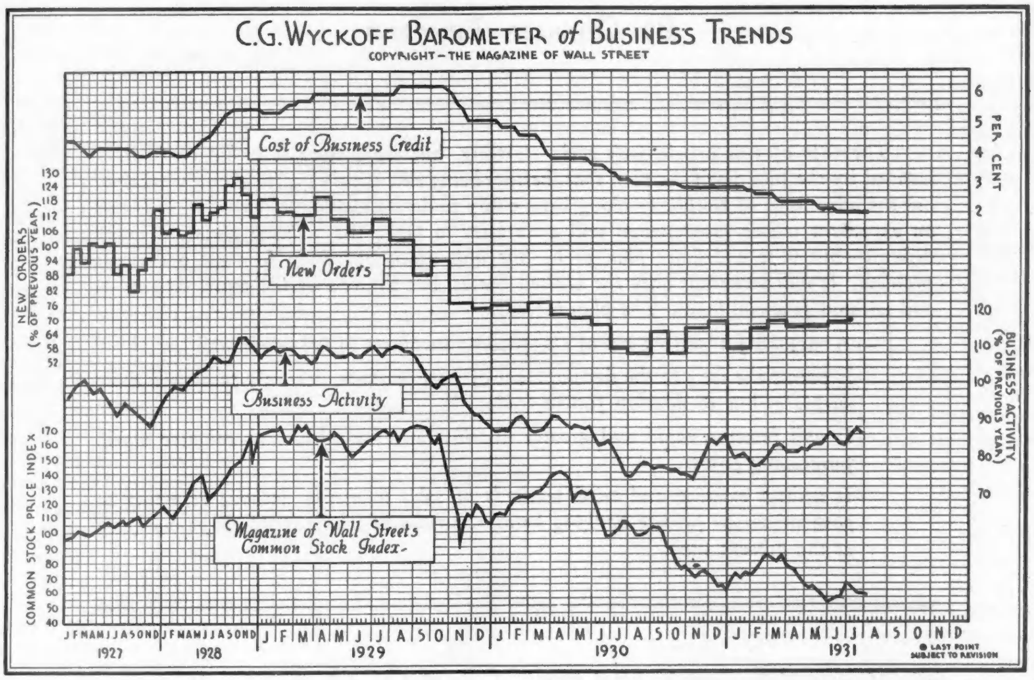
THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 504. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, August 3, 1931.

Taking the Pulse of Business

Seasonal Hopes Have Slim Foundation



AS shown by the static condition of our Cost of Business Credit line, the financial crisis in Europe has as yet caused no hardening of interest rates in this Country. Thus far the drop in foreign exchange rates, and the higher interest rates abroad, have lured only a trifling amount of gold from America; but the abnormally widespread of 3 per cent that now exists between the New York and London discount rates, following recent increases in the latter to 4½ per cent, has served to intensify the spirit of caution in domestic banking circles. It is therefore not surprising to find that the New York banks have permitted excess reserves to accumulate recently until they now amount to nearly twice the figures of a year ago. In view of such obvious reluctance on the part of member banks to expand their deposit liabilities at the present juncture, recent attempts by the Federal Reserve Board to inject additional credit into the money market have apparently been abandoned. All in all, we find little in the financial situation, at home or abroad, to warrant hopes of an early return to prosperity.

Industrial developments of the past fortnight, though somewhat mixed in portent, have tended to dampen expectations of a more than seasonal pick-up in business this fall. Incomplete returns on New Orders for the next point on our graph indicate but little change from the stagnant level which has obtained for the past three months. This must be construed as distinctly disappointing; for there can be no brisk gain in production and trade without a substantial rise in New Orders. The Business Activity line, after its brief Fourth of July bulge, has settled back now into the irregular and discouragingly slow upward creep that has been in evidence since February.

Dividend reductions and poor earnings statements recently announced by the two leading steel companies have served to focus attention upon the gloomy outlook for groups dependent upon the construction industries; though a number of other concerns, mostly engaged in supplying consumers' wants, have been able to report fairly gratifying results for the second quarter. Thus we find that the stock market, while reactionary during the past fortnight in response to unfavorable developments, has uncovered little real weakness in the issues of companies which manage to show satisfactory earnings. The number of such companies is surprisingly large and is gradually increasing.

The Practical Plan To Bring Early Recovery

By Charles Benedict

The title of this article may seem startling, but we beli[illegible] it to be completely justified by the plan itself—a plan that, besides being exte[illegible]tical and workable, has the advantage of simplicity along lines easily understa[illegible]ybody. It is not an expedient whose repercussion will arise later to make the [illegible]ation more difficult—but it is a definite plan to be put into quick operation [illegible] difficult problem. It will serve not only the United States, but the rest of t[illegible]s well—and without financial loans. The plan includes—

—A method for getting rid of the present surpluses of commodities.

—It points the way to the development of new markets, not only to absorb these surpluses but to develop future trade.

—It will foster a rapid and greater distribution of wealth; and enhance world purchasing power.

—It utilizes existing and tried methods of sales financing without resorting to government or private banking loans, securities of which could not be marketed at the present time.

THE excess stocks of commodities must be lifted from the bent back of business and restricted and depressed markets relieved of the surpluses which keep the prices of cotton, wheat, copper, coal, oil and other raw materials below the cost of production, if we are to experience an early termination of the depression which has beset world trade and industry for nearly two years. It is further evident that such relief must be in progress before the coming harvest adds its weight of abundance to the current over-supply of agricultural products if full benefits are to be derived. And if, in addition, foreign markets are simultaneously improved by the injection of new vitality, restored credit, and relief from suffering in the weaker nations which have been most sorely afflicted by the economic cataclysm of 1930-31, then revival and recovery will indeed be assured.

Restore a reasonable degree of stability in raw material prices by a broadening of the channels of consumption, and many of the current ills of the world, economic, social and political, will be cured at once.

This seeming Utopian condition is by no means impossible of realization. It calls for no more than a mixture of common sense with a modicum of courage.

It has been commonly and truly said, that present ills are largely attributable to mal-distribution; that potential consumption exists for all the surpluses. The answer then is in bringing the consumer, whether he be in Argentina or Zanzibar, in touch with the seller and providing terms that will be acceptable to the latter and within the capacity of the former. Nor is this all fine theory. It has been done before. It is being done now.

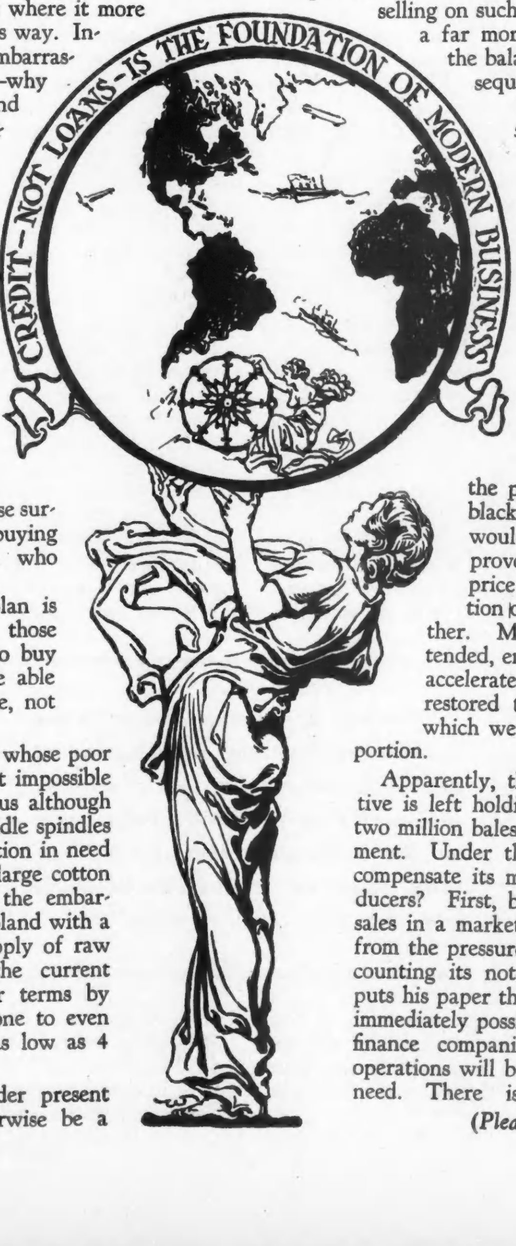
In this second year of a depression a handful of companies are showing spectacularly mounting sales records of mechanical refrigerators solely as a result of a suitable extension of credit terms—terms by which people who could not afford to buy a refrigerator even in good times, are buying this modern comfort for the small cost of what they would normally expend daily for ice. In other words the companies manufacturing these devices have been smart enough to seize the possibilities in the buying power represented by the few cents a day for ice.

Ten years or more ago the automobile industry followed a similar procedure. Leading manufacturers found their markets dwindling, as all those who could afford automobiles had them. They sought new markets in the thousands of potential buyers who had the desire to buy, but neither the cash *nor the credit;* just as we, as a nation, must today seek new customers for our goods among the nations which should be aggressive buyers of commodities, whose physical needs are large, but whose national purse is flat, and whose credit is nil. When the motor car makers tackled this problem of converting a potential market into an actual one, they did not do it by lending money to every possible customer—i. e., supplying a bank account against which to draw on account of purchases made—as is the custom in making loans, but by adopting a system of long-term credit to the individual and to dealer-groups, familiarly known as installment selling. It was no novelty even then. It had been applied successfully for years before. The automobile industry merely adapted it to its own needs.

What happened as a result is too well known to be recounted. The market quadrupled in size. What is more,

nobody lost by the enormous credit extended, either in good times or bad. Discount or financing companies were established, and as it became increasingly evident that risks were sound, that re-possessions and defaults in payment were no more than a fraction of one per cent, installment paper became a commonly acepted, easily discountable credit instrument. The fact that this plan was used during the boom to oversell an already saturated market of known buying power is not the fault of the installment plan idea, but its application.

Now the situation of this country in its commercial relations abroad is not unlike the domestic situation of the electric refrigerator manufacturers today or the motor car industry a few years back. We have an abundance of goods—more than we can use—so much indeed that we have considered destroying it or giving it away. In Brazil they are getting rid of surplus coffee by burning it. Yet there are millions of potential customers in various parts of the world for goods and who are in need of the very essentials of life. It is not only humane, but good common sense as well to supply these people with the commodities which they need, on a long-term credit basis, because by doing so we increase the value of the goods of the remaining normal supply to a point where it more than equals the amount sold in this way. Instead of adding to our already embarrassing position on foreign loans—why not stop these money loans and (loan) sell some of our oversupply of commodities on very easy terms? If we contemplate gift or destruction certainly we can assume a broad risk in a sale—particularly since, entirely apart from economic advantages, it gives the opportunity of relieving millions of starving, unfortunate and unhappy people.



Moreover, the machinery for accomplishing this is at hand in our great agricultural co-operatives, our trade associations and similar institutions, which can undertake the sale of these surpluses to those individuals and buying co-operatives of other countries who need such goods so badly today.

The great advantage of this plan is that we will be selling goods to those people who have not been able to buy them and otherwise would not be able to buy them; and it will, therefore, not kill or hurt our existing markets.

Let us take Poland, for example, whose poor credit at the present time makes it impossible for her to purchase cotton from us although she has hundreds of thousands of idle spindles and looms and a numerous population in need of cotton goods. Suppose that a large cotton farmers' co-operative approached the embarrassed cotton textile industry of Poland with a proposition to deliver a year's supply of raw cotton—say 350,000 bales—at the current market price of 10 cents, under terms by which payment can be made in one to even twenty years, and with interest as low as 4 per cent.

Bear in mind that Poland under present credit conditions would not otherwise be a buyer of cotton from us on anywhere near so large a scale, if at all. Hence, 350,000 bales of cotton would actually be taken out of world markets — cotton that would not otherwise be sold. Another point to be considered in this connection is the fact that there is every likelihood, that as a result of accruing benefits under the new French Trade Treaty with Russia, Russia and Poland may get together economically and if we do not capture the Polish cotton market, Russia will, and undoubtedly on a barter basis.

Then suppose that the farm co-operative turned its attention to China. China is a negligible buyer of our raw cotton but has enormous consumptive capacity for the cloth far beyond the meager capacity of her spinning equipment. What is to prevent the co-operative from calling on the cotton textile manufacturers' association and making a deal whereby raw cotton be delivered to the spinner and the cloth delivered to a Chinese distributing organization on terms similar to those offered Poland.

What do you think would happen to the price of cotton when a few million bales were sold in this manner? Would not the inevitable increase in price offer a substantial compensation for the risk involved by the co-operatives in selling on such long terms? Would it not permit a far more substantial profit on the sale of the balance in stock or even from the subsequent harvest?

Let us examine some of the other results: Employment would have been afforded at home to textile mill workers; shipping and railroad transportation would have benefited. Poland and China would have increased their industrial activity and the expensive negotiation and high interest rates of either a governmental or private loan would have been obviated. Meanwhile public opinion would most certainly be influenced by these operations. If Poland and China merited this extension of credit, their outlook, the public would say, could not be so black over a term of years. Their bonds would automatically reflect this improved sentiment. With the rise in price of these securities the credit position of the countries should improve further. More private credit would be extended, employment increased, consumption accelerated, and the impoverished nations restored to a position of world trade in which we would naturally secure a sizable portion.

Apparently, though not actually, the co-operative is left holding the bag. It would have sold two million bales of cotton and have notes in payment. Under these circumstances how would it compensate its members, who are the actual producers? First, by the profit made on subsequent sales in a market which would rise on the release from the pressure of surpluses, and second by discounting its notes just as the automobile dealer puts his paper through the finance company. Not immediately possibly but in a short time, no doubt, finance companies with international scope of operations will be formed to provide for this very need. There is machinery to discount this

(Please turn to page 551)

Completion of Market Readjustment Necessary

In a Limited Number of Stocks Investment Accumulation Appears Justified But the Basic Trend Remains Hazardously Uncertain

By A. T. Miller

AFTER weeks of almost complete preoccupation with the European scene, the stock market's attention has shifted back to domestic affairs. This in itself is favorable for, regardless of the importance of foreign trade, our real destiny is written here. Moreover the very fact that we can turn our eyes even temporarily from Europe suggests that the German credit crisis has lost its most urgent potentialities for damage to the world's economic and political structure. For this reason it is possible to hope that coming German developments, however difficult and halting, will point toward a reconstruction of confidence.

Meanwhile it is not to be denied that the recent course of events in Europe constitutes a retarding influence in the outlook for world recovery. Nor can we as yet completely ignore the possibility of fresh European adversities. Yet the American investor would do well to keep in mind that the security prospect must depend overwhelmingly on the course of corporate earning power in this country. The economic panorama of the world has never been, and probably never will be, one of complete tranquillity. For centuries in Europe peace has been an interlude between political and economic disturbances. Such obstacles to easy prosperity are regrettable but American business has surmounted them in the past and will have to do so again.

They are less important, in any event, than our domestic readjustment and there is comfort and guidance for the investor in the fact that already we have made substantial progress along this line during twenty-three months of depression and are steadily making more. Whether we have yet prepared adequate groundwork for the start of a genuine revival this autumn remains highly uncertain but perhaps will be revealed within the next six weeks. Meanwhile the making of necessary changes either in corporate affairs or international political relations, however distasteful, is constructive. The only way to deflate is to deflate and the only way to solve a difficulty is to tackle it. In this sense it is constructive that deep-rooted European troubles have come to a head.

"The real speculative danger is not that the market may react somewhat further at present but that it may be subjected to a premature rally based on the assumption that coming seasonal gains will necessarily be translated into basic improvement."

In this sense domestic developments are more favorable than they seem on the surface. We have not only made real progress in some of the inevitable economic adjustments but, perhaps even more important, have abandoned the fatuous insistence of late 1929 that boom prices, boom dividends and boom wages be maintained despite the utter disappearance of boom earnings. On all sides, with the sole exception of timid politicians, the present disposition is to look the facts frankly in the face.

And when we recognize the facts we approach solid ground, permit calm reasoning and discrimination to control stock market policy and free ourselves from the domination of fear. Striking evidence of this change of attitude is afforded by the market's response to the German crisis. Such reaction as occurred was dull and orderly, both qualities indicating a vastly strengthened speculative fortitude. Generally speaking, the inclination of the public then and now is neither to buy nor to sell stocks, but to wait and watch developments. It is in a stalemate of this kind that bear markets have usually ended, and should logically end. In this respect recent trading at the dullest rate in seven years is a healthy sign—as far as it goes. It does not necessarily forecast revival this autumn, for, the illness being severe, rest and convalescence might well be protracted.

Paradoxically, under these conditions, the real speculative danger is not that the market may react somewhat farther at present but that it may be subjected to a premature rally based on the assumption that coming seasonal gains will necessarily be translated into basic improvement. Perhaps they will, but prudence would counsel that we wait and see, for the danger of another season of business disappointment is a real one and the lurking possibility of a final serious break in the market will be made all the greater by any intervening rally.

At this writing the disposition of Wall Street is to regard the action of the United States Steel Corporation in reducing salaries and the common dividend as one of the major speculative landmarks of the year. It is, in that it marks the decision of the world's largest industrial corporation to recognize and acknowledge the facts

of its position. The market's reaction to the $4 dividend has been intensified because of the mistaken assumption, unrelated to logic, that the cut would only be to $5. Yet the former $7 dividend clearly represented a boom basis, and not only this but a boom dividend upon a greatly increased share capitalization resulting from a 40 per cent stock dividend four years ago.

More than nine months ago it became clear that earnings would not justify the $7 payment and that sound policy would not permit indefinite payment at that rate even out of a huge surplus. Under these circumstances, the readjustment, regardless of immediate market effect, can only be regarded as wholesome and constructive. Examined with common sense, it is an honest recognition of the present and by no means an attempt to forecast the future. It does not darken the prospect for recovery, especially since it is well understood that the revival of steel earnings is normally slow. To the extent that it encourages other corporations to make their own courageous adjustments along individually necessary lines, regardless of political pressure, it brightens the basic outlook.

Wall Street in 1860.

Although the payroll revision announced by Steel applies only to salaried workers and not to its wage scale, it can scarcely fail to focus renewed public attention upon the wage problem. From a cut in dividends and salaries the step to a cut in wages is not a broad one and the company would surprise few in Wall Street by taking it in the event that substantial business improvement fails to set in this autumn. The question, of course, is debatable, since purchasing power is so largely dependent upon payrolls, but payrolls in turn can only be supported by business earnings. It is clear that some companies are in no position to maintain boom era wage scales and possible that temporary cuts would do more good than harm by contributing to slim or vanished profit margins and hence to general revival. In any event the problem will not be determined by theory.

In considering the market outlook broad generalization becomes increasingly misleading. Business does not recover at a given moment. There is at all times a wide divergence of earnings trends among industries and corporations. Some industries move early in the business cycle, others late. Some companies, either due to inherently favorable situation or to alert management, are quicker than others in making needed adjustments. As the market settles more nearly into an investment basis, these variations assume increasing importance and in the case of a growing number of stocks the influence of general market movements is minimized.

One is justified in pointing out that in many of the relatively low-priced stocks, liquidation is obviously more nearly complete than in the majority of the former Blue Chips. In a few of these the danger of further serious decline appears remote. For example, a limited number of stocks even in the severe liquidation of April and May held above the lows established last November and December. Such individual performances should begin to guide scale-down accumulation, although it must be emphasized that the minority of favored issues cannot wholly escape such further general market unsettlement as may occur and, moreover, that there is scant prospect that they can quickly cut through the inertia of a depressed market to experience substantial advance.

Additional guidance is offered by some of the half-year earnings reports now coming to hand. In general, the showing is not as bad as that for which Wall Street had prepared itself a few weeks ago. Here and there companies have succeeded admirably in cutting their costs and broadening profit margins. In a few instances earnings are actually larger than in the first half of 1930. In such issues there is, obviously, little reason to fear that former market lows will be violated. Among other companies there is in many cases a satisfactory maintenance of profits, with General Motors a notable example. Others, such as Westinghouse, Johns-Manville, du-Pont, Chrysler and National Cash Register, while still depressed, were able to do better in the second quarter than the first.

It is not yet clear whether these gains are chiefly seasonal or the result of internal readjustments but the test of the third quarter will throw convincing light upon the matter, giving investors fairly clear evidence as to a turn in many individual companies.

In general, improvement is most notable in companies dealing in consumption goods and it remains impossible to determine how much time will be required for this to spread to basic lines. The prospect of major gains this year in steel operations, in car loadings, in construction, in automobile sales, in the petroleum industry and in non-ferrous metals still appears to remain slight—slight enough to put the burden of proof in coming weeks upon the actual records. Moreover, the problem of excessive surpluses in many lines remains with us and will not be wished away. It will continue to weigh heavily upon prices of various commodities and to retard the much needed expansion in farm purchasing power.

At this writing there is little expectation of any additional "hypodermics" from Washington in the immediate future. If further injections are made, they are likely to

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Why Business Should Experience a Fall Recovery and Why Not

Seasonal Expansion Checked by Low Prices for Crops and German Crisis But Consumer Buying Gaining Momentum

By Theodore M. Knappen

The approach of autumn, always a critical point in the business trend, is of especial interest and importance because it will almost certainly reveal, probably within a few weeks, whether expected gains are to be merely seasonal or broad enough to indicate the beginning of genuine revival. The evidence out of which the answer will develop is herein weighed.

WITH the failure of the seasonal business peak of last spring to develop into a cyclical revival of business, hope deferred looked to the fall revival as the next opportunity for the takeoff of prosperity.

We are now near enough to the beginning of the normal fall quickening of trade to get some idea of its proportions, and we have better knowledge now than we had a month ago of the underlying business situation both at home and abroad.

Actually and sentimentally the volume of the harvest and the prices of agricultural products have always been a powerful if not the dominant factor in the tide of fall business. Within limits volume has usually been more influential than price. There was a time, indeed, when the world's business cycles were supposed to be determined mainly by the harvests—a good harvest being the signal for the return or the continuation of good times. In recent years, though, growing agricultural surpluses have brought about a reverse situation; in which a crop shortage, while working passing hardship, would contribute to general business revival. While a crop failure in the United States this year would have been a calamity of incalcuable proportions, the bountiful crops that are now in realization or prospect are actually having a retarding and depressing commercial effect. With wheat, for instance, selling at lower prices in Liverpool than for more than three hundred years, and bringing as low as twenty-five and thirty cents on American farms, and as little in central markets as in 1894, there is little prospect of increased buying this fall among the farm population dependent upon that cereal. The cotton areas are almost as badly off. The huge corn crop now promised while insuring against actual want in the pork belt does not contribute at 45- and 50-cent terminal prices to business zest. Broadly speaking, prices are discouragingly low for all products of agriculture.

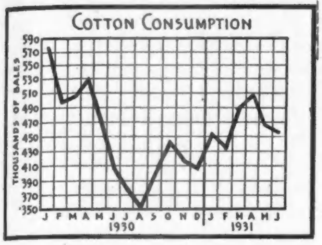
Nevertheless, despite occasional reports of farmers abandoning their crops, rather than undertake the expense of gathering them, the products of the fields, pastures and ranges will be sold, moved, processed, manufactured and consumed. There will be the usual annual conversion of farm products into money and a measure of the annual settlements, renewed credits and essential purchases. The huge crops may profit the farmers nothing but they will tax the capacity of the "granger" railways, crowd the mills and afford employment to vast numbers of workers. But far from there being rural activity and hopefulness in the presence of plenty there will be lethargy and passive resignation. The harvests will contribute to the usual seasonal expansion of business, but so far as it is dependent upon them it will not be of normal vigor.

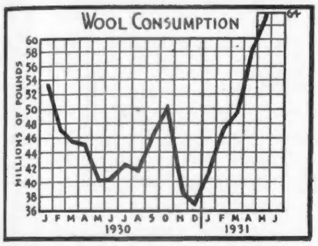
The other side of this shield is that the cost of living will be lowered for urban populations, making it easier for them to get along on their reduced incomes. As the urban population of the United States is now about 75,000,000 out of 125,000,000 it is evident that their well-being is a larger factor in composite well-being than that of the rural population, of which only about 27,000,000 are actually resident on farms. But this benefit to the cities of cheap food is of a static nature, it will not stir business.

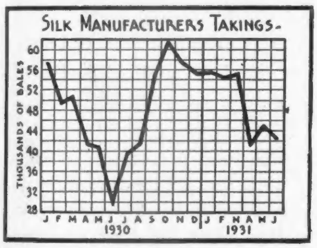
Retail Revival Gains Momentum

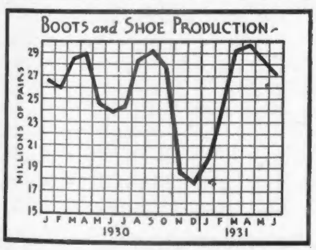
Turning now to conditions that are contained within industry and trade, independently of agriculture, we are confronted with some encouraging and some discouraging facts. The former relate to consumption of consumer goods. Retail trade, at least its physical volume, continues to exhibit surprising vitality. It is going through the sum-

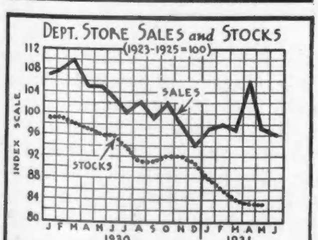
INDEXES SHOWING IMPROVED TREND

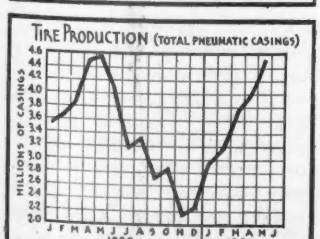












mer more actively than had been expected, and may be counted upon for expansion in the fall.

The spread between wholesale and retail prices becomes narrower and narrower and as that process goes on buyer resistance weakens. The stinting habit of the past two years is beginning to pass. Exhaustion of personal and household supplies has much to do with this tendency, and offsets in some considerable degree the lack of confidence and the spirit of enterprise, which still persists. The accumulation of savings deposits and of real deposits in the commercial banks testifies to the existence of an enormous purchasing potentiality notwithstanding all the rude assaults of the past two years upon it.

Confidence Versus Necessity

If confidence in the future were more general retail buying would be much larger than it is. Generous consumption is the mainspring of business prosperity. That confidence which results in care-free buying is still lacking is shown by the fact that additions of approximately 200 million dollars to the American monetary gold stocks and an increase of about 170 million dollars in the amount of money in nominal circulation has not increased bank credit. But it is a great gain to have reached the plane of necessitous buying.

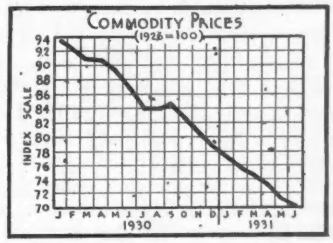
The benefits that already have come to shoes and leather, gasoline, tires, cotton, silk, and woolen goods, may reasonably be expected to extend during the fall to other lines. The success of the great concerted drive for refrigerator sales is significant. It indicates the reserve consuming power of the country and shows what will happen generally when enterprise revives, confidence gains and stinting is overcome. Of similar significance is the success of the Cotton Week drive of June 1-6 and its gratifying follow-up.

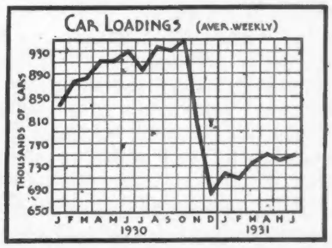
Effects of the German Crisis

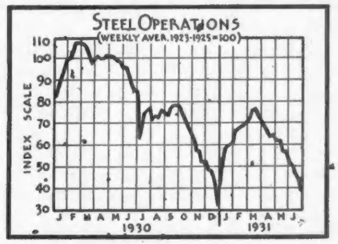
Recent developments abroad and particularly in the German financial problem are not such as to give hope for any fall acceleration of business, either seasonal or cyclical, from foreign trade. There was a period of sanguineness immediately after the Hoover moratorium was proposed, but subsequent revelations of the extent of the German dislocation and the need for a large amount of new credit, in addition to suspension of reparations obligations, have resulted in a general conviction that there will be no dramatic recovery in Germany or in Europe in general. The net result of the whole German episode appears as this is written to be one of immediate discouragement rather than the reverse. No doubt this position could be suddenly changed, but such a change could be brought about only by France or the United States, and neither of them is likely to take speedily the wholesale measures required—the former from disinclination and the latter from lack of coherence between government and finance. The difficulty of floating German loans in the United States at this time needs no comment.

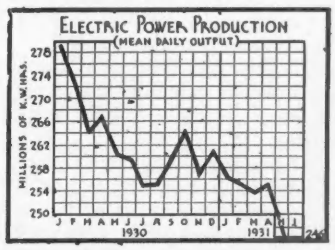
The German crisis may turn out to be a blessing in disguise. It was a real panic in Germany and something of an intellectual panic elsewhere. It tends to break up the business weather static

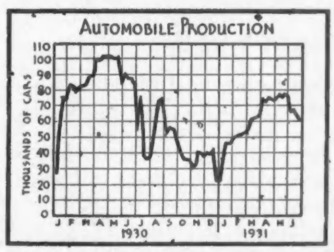
INDEXES SHOWING A LITTLE CHANGE

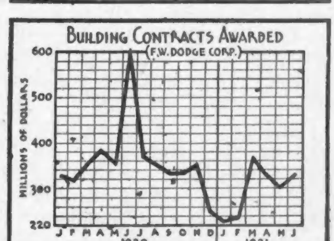












and set curative forces to work. It prompts to heroic measures looking to the dispersion of the remaining obstructions to recovery, such as stubborn refusal to align prices of manufactured products to those of raw materials and the insistence on wage scales out of line with the cost of living and those of other industries and reduced wealth production.

Up to the Ultimate Consumer

Outside of consumers' goods there is not much in the domestic field to indicate an encouraging degree of seasonal expansion in the fall. The building industry sinks steadily to lower levels, and there is no reason to believe that the pressure of necessity will give it much help this year. In fact, it is our growing conviction that this industry can not be counted upon as a source of recovery from this depression. It will tag and not lead the procession of returning prosperity. No more can steel be looked to as a bell-wether this time. When the steel business reveals marked improvement it will be a record and not a sign. At any rate there is nothing now in the steel horizon to indicate anything more than a normal relative betterment during the autumn months. The heavy current of extraordinary public and semi-public construction which has done so much to keep the construction and construction material industries alive during the past twelve months has about spent itself. The come-back of building will be mainly in the residential field at first, and there is no reason to believe that it will amount to much this fall.

Although the automobile industry is doing surprisingly well for the dead season of a somnolent year, there is nothing now to indicate that the fall will give it much of an impetus.

The new sagging of commodity indices, although it may be mostly seasonal and partly sentimental, certainly gives no basis for optimistic forecasting related to a hope of rising prices.

The gains in the index of electric power consumption are significantly prophetic, being the minute contributions of a great number of users.

The one bright spot in car loadings, that is, less than car loads of miscellaneous freight, supports the view that we have definitely entered a period of growing consumer buying.

The railroads, themselves, will not contribute anything this fall to increased buying unless the Interstate Commerce Commission should promptly authorize increased rates, but it seems unlikely that action will be taken in time to influence the re-entry of the railways into the supply and equipment markets.

There is nothing in bank loans and no tightening interest rates to suggest that business is laying plans for fall expansion. The continued strength of the bond market, on the other hand, is encouraging. Taken together with the low stage of bank loans, the scant earnings of the banks, their low interest rates on deposits and mounting accumulations of real deposits, the bond situation foreshadows the approach of a period when money will no longer be content with aloof passivity, but will begin actively to seek earnings.

Confidence may be expected to gain strength, especially if in the next month or two the German crisis should be permanently relieved. When we speak of confidence we touch on the intangible realm of business psychology, which is often without apparent rational relation to reality. We see now that the last boom should have ended long before it did. A business revival may start before facts and logic would seem to justify it although the historic tendency seems to be for both bull and bear sentiment to overstay their justification. We know that business was actually reviving after the "second bottom" of 1921, but as late as November of that year great business executives went on record as believing that it would take ten years to recover. It is possible that the fall will see this country well started towards recovery. Yet it is not possible to give valid reasons for anything but slow recovery, contrary to the precedent of 1921-22, when it required only twelve months to regain the normal level. We long since perceived that in 1921-22 a world that was short of everything and had tremendous tasks of reconstruction and construction before it was faced by the United States with enormously increased capacity for satisfying demand.

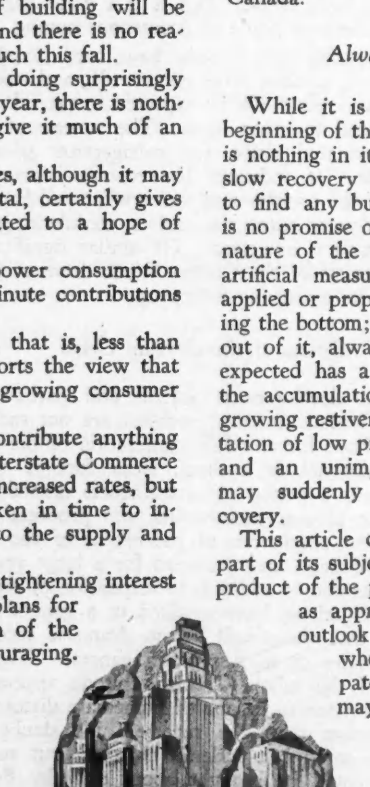
The world situation is now one of satiety instead of sharp desire and the capacity of production is so great that moderately growing demand is not likely to have a quickly tonic effect. A condition at all analogous to that of 1921-22 could apparently be brought about now only by a universal crop shortage, of which there is not the slightest prospect, notwithstanding the disaster that has overtaken the grain fields of western Canada.

Always Remembering the Unexpected

While it is probable that we are now in the feeble beginning of the expansion phase of the present cycle there is nothing in its visible structure to indicate anything but slow recovery for the next six months. It is impossible to find any but the normal factors of recovery. There is no promise of expedition from anything inherent in the nature of the present depression or in the more or less artificial measures of hastening recovery that are being applied or proposed. We have been a long time in reaching the bottom; and likely we shall be a long time climbing out of it, always keeping in mind the fact that the unexpected has a way of happening. The conjunction of the accumulation of unsatisfied wants, declining stocks, growing restiveness of capital and entrepreneurs, the temptation of low price levels, the pressure of abundant funds, and an unimpaired business and financial structure may suddenly accelerate the normal progress of recovery.

This article does not have the outlook in securities as part of its subject matter. But their position is always a product of the present business condition and the outlook, as appraised by speculators and investors. The outlook is frequently the dominant factor, and when it prevails the security market anticipates business recovery. In that event we may—probably will—have in the fall a factor that will stimulate the business tone, as it is notorious that a buoyant stock market arouses hope and prompts to energetic business action.

The normal course of commercial recuperation begins with the exercise of repressed purchasing power by those elements of the community who still have it. There comes a time in every period of depression when necessity conquers the inhibitions of caution and fear. Take shoes



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The future contract has demonstrated its value to the merchant and manufacturer. It should prove even more valuable to the producer and of great use as a corrective for price depressions arising from burdensome over-supply.

Price Declines Can Be Checked

By a Natural Method of Market Control

By C. T. Revere

IT is impossible for business to prosper on declining commodity prices, but profit can be had out of a stabilized price level, even if it be low. For this reason stabilization, which is practically possible, should command closer heed at present than the hope for broad advance, which, at best, is uncertain.

The importance of maintaining a commodity price level that will furnish a profit to the producers is generally recognized. Politically, it has become an obsession in more than one nation. Back of this idea we find the incentive for Brazilian valorization, rubber restriction, Cuba's attempt to control sugar production, the debenture plan and equilization fee proposals, and, last but not least, our own Federal Farm Board.

It seems all the more strange, therefore, that the political friends of the farmer and other producers have overlooked the instrument most admirably adapted to cure the evil of price depression resulting from excessive oversupply. This is the future contract now employed for trading in our leading commodities, grain, cotton, rubber, sugar, coffee, hides, silk, metals, and other staple products.

Using the Future Contract

One of the outcries against the future contract system has been that while it has been of great value to the merchant, and is occasionally used to advantage by manufacturers, it never has been of any direct benefit to the producer, although he may have received certain indirect benefits from it.

As a matter of fact, while the future contract system has provided insurance against hostile price changes for the merchant, thereby enabling him to do a volume business that would have been impossible otherwise, and while it could be utilized by processors and manufacturers to reduce, and even practically eliminate, inventory losses, its greatest value would accrue to the producer of raw materials if its utility were properly presented and adequate means were employed for passing on the increment to those entitled to receive it.

Although substantial capital would be required for carrying on the operation, the element of ultimate risk would be minimized. In the case of the agricultural products of the United States, it would not be necessary to employ such a sum as the half billion dollars appropriated for the use of the Federal Farm Board, and moreover, while the resultant benefit would be a living price for agriculture, the complete transaction, in all probability, would not cost the Government or the taxpayer a penny.

In order that the function of the future contract may be clearly understood and to show how it may be applied to solve the troublesome problems of the producer, it might be just as well to trace its progress and sketch its development to the position it now occupies.

There is nothing obscure or esoteric about the future contract. As it stands today every commitment for cotton, wheat, rubber, or any other product represents the equivalent of the physical commodity itself. Although it is a medium for speculation, it is not a gambling device and, in fact, was originally devised to take the hazard or element of chance out of merchant transactions. It is, in fact, primarily a medium of insurance against unfavorable price fluctuations. It affords a means of protection against adverse price changes. The grain merchant who buys 50,000 bushels of wheat from a country elevator and has no immediate mill outlet for it, sells the equivalent of 50,000 bushels of wheat on the Chicago Board of Trade, for example. If the market breaks ten cents per bushel he is protected against the decline in the price of the actual wheat by the profit in his hedge sales on the Chicago Board of Trade. The cotton merchant protects himself in like fashion.

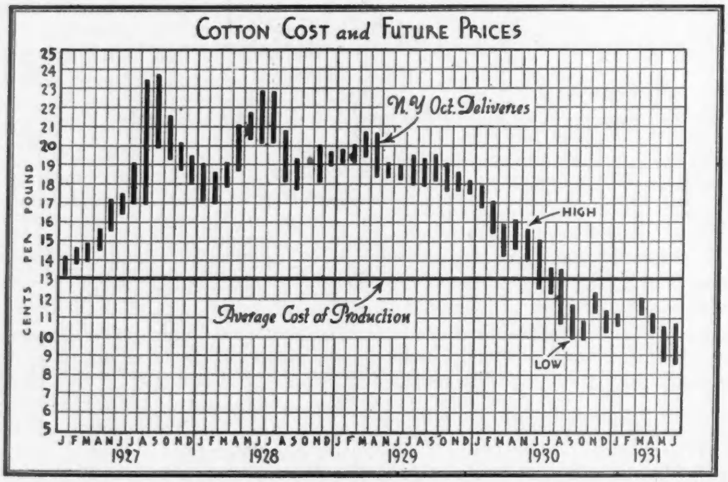
Providing Insurance Against Loss

On the other hand, a cotton manufacturer who takes a contract for several million yards of print cloths for future delivery can immediately protect himself against an advance in the price of his raw material by buying future contracts on the New York Cotton Exchange. There are simple illustrations of the methods now employed.

It seems strange that it took the business world practically five hundred years to work out this system. In the days when wheat was raised in a small European field and hauled to an adjacent mill for grinding, there was no necessity for the price insurance now demanded.

Students of history, however, are familiar with the fact that as the economic life of the world became more complex through the division of productive effort, as evidenced by the production of raw materials in one locality and their manufacture and distribution in others, the risk attendant on distributing these commodities gradually became too great a burden for the purely merchant group to assume. The uneasiness of merchant interests over these risks became apparent as far back as the days of the old Venetian Republic and the Hanseatic League of cities in the early part of the Fifteenth Century. Losses due to price changes for raw materials in transit frequently were serious and ruinous. Heavy profit margins were exacted as a consequence of the hazards involved.

The subconscious sense of the business world even in those days demanded some method of insurance against these fluctuations. In 1417, the Hanseatic League passed regulations with severe penalties against the sale of wheat before it was threshed or herring before they were caught. Here we have a groping attempt to make short sales.



It seems almost unbelievable that in his monumental work entitled, "The Wealth of Nations," Adam Smith did not even mention the word "speculation." It was an unknown term. He does, however, refer to an operation known as "engrossing and forestalling," the predecessor of modern speculation. He says:

"The popular fear of engrossing and forestalling may be compared to the popular terrors and suspicions of witchcraft. The unfortunate wretches accused of this latter crime were not more innocent of the misfortunes imputed to them than those who have been accused of the former."

Wide Price Changes in Former Years

Some idea of the violence of price changes before the advent of contract trading is furnished by the instance of wheat in England which in 1335 sold at 10 shillings per bushel, and in the following year at 10 pence. In the summer of 1825, cotton in New Orleans broke from 30 cents to 12 cents in less than a month. This was not a crash due to world-wide panic or credit conditions.

Toward the end of the Eighteenth Century the exigencies of the export trade demanded the development of time contracts. At about this stage it became the practice to sell goods for "forward delivery." These dealings were of a crude nature and called merely for delivery of a particular lot of goods, based either on submitted samples or having reference to a recognized standard. In the early part of the Nineteenth Century there came sales of cotton "in transit," or "to arrive." In each case the seller had sold something not in his possession, but which he had every reason to believe he could deliver.

With the inception, and, later, the perfection of the warrant system, another forward step was made. Through the warrant it was possible to transfer ownership of property without involving a transfer of the property itself. They circulated freely, and frequently bore many endorsements before they were finally presented for the goods. Naturally they facilitated advances of capital and otherwise stimulated trade by making transactions less cumbersome. In all such instances, however, the warrants were merely special receipts and represented specific lots.

It was not until the warrant system was applied to the metal market that the time contract began to get on a modern basis. In metals the grading system was established, and then the warrants, instead of calling for delivery of a specific lot of pig iron, lead, or copper, merely became transferable orders for a given amount of metal of a stated grade. The importance of the new idea was immediately recognized and extended to other commodities.

Up to the middle of the past century the growth and development of the time contract and its gradual evolution toward a system of organized "future" dealings had been forced by the necessities of the export trade, particularly of Europe. Shortly after 1850, the interior situation of the United States necessitated still further advances. It became impossible to handle the great grain crops of the West by former methods. Elevators and warehouses were built and receipts were given for grain in storage. The business assumed such enormous proportions that receipts for specific lots were no longer possible, and by 1860 the grading system was installed. In this way it was possible for the first time to make a real "short" sale as the term is understood today.

The final rounding out of the future contract made it possible for the merchant dealing in graded staple commodities to pursue his business without speculating or running the risk of adverse price changes. It was now feasible to make a transaction of a completed character. A cotton merchant could take an order from a manufacturer in June and agree to furnish the cotton in October, November, or later. He could protect himself by buying contracts on the Exchange at all times and there would be found those who would be willing to take a chance on selling the contracts in the hope of buying them in at a profit. Sometimes the seller might be another merchant placing hedges against holdings of cotton. Moreover, if the merchant in the fall found himself accumulating cotton faster than he could dispose of it to manufacturers, he could sell contracts against it and protect himself against declines.

As a result of this practice, it has been possible for the merchants in the cotton trade to work on a much closer margin of profit. The difference between the merchant margin under the future delivery contract system and without it on world cotton crops of present size would run into tens of millions of dollars annually. Moreover, if the average manufacturer used the contract market more intelligently, it would be possible to cut down inventory losses to a minimum in seasons of declining prices.

As matters now stand, the future contract system has

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What England Means to the United States

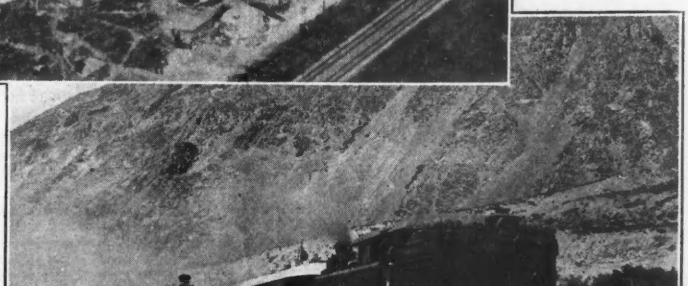
Part II

Surprising Parallel of British and American Investments Throughout the World of Great Significance to Both Business Men and Security Holders

By Henry Richmond, Jr., and J. Greetham de Lorimier

THE investments of the United States in foreign countries have increased 7,887 million dollars since the war. Over the same period those of Great Britain, formerly pre-eminent in international finance, have increased only 6,761 million dollars. As we, and others, have cut in on Britain's industry and trade, so we are cutting in on her ancient position as the leading creditor nation.

It is a position by no means gravely undermined as yet, even though our foreign investments have expanded to the enormous total of 14,387 million dollars. But that we are making an inexorable assault upon it — an assault dictated by normal self-interest and without hostility—is a simple and evident fact. Thus we add to the complications of our relations with Britain, who, as brought out in the preceding article, is both our leading customer and leading trade competitor. In almost all fields the interests of the great English-speaking nations conflict, and yet are so closely interwoven that each has an enormous stake in the welfare of the other. In no field is the shifting of power going on more rapidly than in the business of financing and developing foreign countries.



Goodyear Tire & Rubber Plant at Buenos Aires, and (below) Argentina's Trans-Andean Railroad, British Financed

Between the foreign investments made by the United States and the foreign investments made by England, there are some striking similarities and also some striking differences. Great Britain naturally has the advantages which go with long experience and, to the extent that it is a benefit to be first upon the field, so are we handicapped. These advantages, however, have been expensive, for she has made many mistakes, just as we ourselves are beginning to realize that many of our foreign investments are not everything which could be desired.

In the pioneer type of financing which she has done, England helped to build the first railroads in many parts of the world, our own included. She helped to finance the production of all kinds of raw materials which were needed for the insatiable maw of her growing industrial giant. The United States on the other hand has tended to further develop countries already opened up to some extent. This is well illustrated in the case of the Argentine whose vital systems of communication — the railroads — are controlled in London, whereas the money which we have invested there has been spent for the most part in the erection of meat packing plants, branch factories and the like, or has been lent direct to the government.

Although the advantages of foreign investments outweigh the disadvantages—they represent a tool which may be used to promote the well-being of both debtor and creditor and from the creditor's standpoint are often an insurance policy against times of adversity—they can also create difficulties. Misunderstandings between lender and borrower can lead to mutual dislike and distrust. Foreign investments may even tend to displace a creditor's own workers. This, however, is a phase which will be discussed later, first let us examine to what extent and in what parts of the world the United States and Great Britain have invested abroad.

Let us take Central and South America first, for it is here that our investments have shown the greatest growth even though the amount is little more that which we have placed in the British colonies and dominions. It will be noticed that Great Britain's "stake" in this part of the world still exceeds ours by 723 million dollars. There is, however, a more striking difference. Great Britain's commitment in commercial enterprises surpasses ours by nearly 1,400 million dollars, while we surpass her in the securities of governments, states and municipalities by nearly 700 million dollars. Later it will be shown that England's policy is probably the better and that it is due to the system that we have pursued that much of our foreign investment troubles arise.

Indeed we are probably alive to the dangers now for in recent years we have tended to invest directly rather than indirectly. American companies are proceeding apace with their plans for more branch factories, better transportation and communication systems, selling organizations and for the development of natural resources. At the present time our direct investments in South America are largely confined to Argentina and Brazil, countries to which the World War gave a decided manufacturing impetus. Here, our direct investments total 525 million dollars, of which 245 million represents commitments in railways and other transportation, while 128 million has been invested in manufacturing concerns, whose activities are backed by selling organizations in which we have outlayed 68 million dollars. The balance of our direct investment in these two countries is represented by the production of petroleum, the refining and distributing agencies of this business and by the automobile, chemical and machinery industries. Among American companies maintaining branch factories or selling organizations in Argentina or Brazil may be mentioned Ford, General Motors, Standard Oil of New Jersey, certain of our principal rubber manufacturers, while our big meat packing companies have also made steady progress there.

Great Britain on the other hand has invested some 3,400 million dollars directly in Argentina and Brazil. Of this, the greater part is represented by holdings in railways and other forms of transportation. She has been particularly aggressive in the development of the Argentine railways and even during the last four years has invested a further 125 million dollars to this end. Notwithstanding the fact that Great Britain's direct investments in Argentina and Brazil have been much smaller than our own since the war, her pre-war investments were much larger than ours so that she receives from these sources in the two countries about 175 million dollars annually compared with slightly over 26 million dollars for the United States.

Our direct invest-

U. S. and British World Investments

(Each total in both dollars and pounds)

CENTRAL AND SOUTH AMERICA

		United States		Great Britain	
Country		Government Securities	Private and Corporations	Government Securities	Private and Corporations
Argentina	$	460,795,000	331,819,000	137,669,000	2,157,709,000
	£	94,814,000	68,276,000	28,327,000	443,973,000
Bolivia	$	43,154,000	61,619,000	....	....
	£	8,879,000	12,679,000	....	....
Brazil	$	240,951,000	193,606,000	355,679,000	1,241,647,000
	£	49,578,000	39,837,000	73,185,000	255,483,000
Chile	$	185,200,000	422,593,000	121,831,000	272,792,000
	£	38,107,000	86,952,000	25,068,000	56,130,000
Colombia	$	176,333,000	123,994,000	4,466,000	42,817,000
	£	36,283,000	25,513,000	919,000	8,810,000
Ecuador	$	....	11,777,000	5,725,000	2,994,000
	£	....	2,423,000	1,178,000	616,000
Paraguay	$	....	12,615,000	1,332,000	....
	£	....	2,596,000	274,000	....
Peru	$	24,868,000	123,742,000	17,690,000	183,324,000
	£	5,117,000	25,461,000	3,640,000	37,721,000
Uruguay	$	34,744,000	27,904,000	13,914,000	186,235,000
	£	7,149,000	5,742,000	2,863,000	38,320,000
Venezuela	$	14,183,000	232,538,000	520,000	63,953,000
	£	2,918,000	47,847,000	107,000	13,159,000
Mexico	$	....	682,536,000	1,696,000	570,651,000
	£	....	140,439,000	349,000	117,418,000
Costa Rica	$	9,712,000	22,166,000	2,513,000	1,682,000
	£	1,998,000	4,561,000	517,000	346,000
Guatemala	$	13,446,000	69,979,000	9,385,000	4,486,000
	£	2,767,000	14,399,000	1,931,000	923,000
Honduras	$	642,000	71,485,000	....	....
	£	132,000	14,709,000	....	....
Nicaragua	$	....	13,002,000	778,000	....
	£	....	2,675,000	160,000	....
Panama	$	13,224,000	28,459,000	....	....
	£	2,721,000	5,856,000	....	....
Salvador	$	....	29,466,000	3,023,000	....
	£	....	6,063,000	622,000	....
Cuba	$	80,564,000	918,957,000	4,048,000	175,553,000
	£	16,577,000	189,086,000	833,000	36,122,000
Dominican Rep.	$	22,937,000	69,322,000	....	....
	£	4,720,000	14,264,000	....	....
Haiti	$	....	14,191,000	....	....
	£	....	2,920,000	....	....
Jamaica	$	....	21,941,000	....	....
	£	....	4,515,000	....	....
Miscellaneous	$	21,693,000	35,028,000	....	....
	£	4,464,000	7,207,000	....	....
Total	$	1,342,446,000	3,518,739,000	680,269,000	4,903,843,000
	£	276,224,000	724,020,000	139,973,000	1,009,021,000

BRITISH DOMINIONS AND COLONIES

		United States		Great Britain	
Country		Government Securities	Private and Corporations	Government Securities	Private and Corporations
Australia	$	232,998,000	132,942,000	1,897,426,000	604,740,000
	£	47,942,000	27,354,000	390,417,000	124,432,000
British Africa	$	....	76,846,000	685,586,000	2,098,140,000
	£	....	15,812,000	141,067,000	431,716,000
Canada	$	2,428,680,000	1,960,320,000	248,118,000	2,758,910,000
	£	499,728,000	403,358,000	51,053,000	567,677,000
India	$	....	32,676,000	1,310,941,000	1,566,767,000
	£	....	6,723,000	269,741,000	322,380,000
New Zealand	$	....	16,212,000	484,216,000	408,055,000
	£	....	3,336,000	99,633,000	83,962,000
Miscellaneous	$	4,630,000	39,855,000	202,332,000	684,628,000
	£	953,000	8,201,000	41,632,000	140,870,000
Total	$	2,666,308,000	2,258,851,000	4,828,619,000	8,121,240,000
	£	548,623,000	464,784,000	993,543,000	1,071,037,000

U. S. and British World Investments

(Each total in both dollars and pounds.)

EUROPE

Country		United States		Great Britain	
		Government Securities	Private and Corporations	Government Securities	Private and Corporations
Austria	$	78,477,000	14,337,000	69,333,000	31,736,000
	£	16,147,000	2,950,000	14,266,000	6,530,000
Belgium	$	125,934,000	64,246,000	52,420,000	43,745,000
	£	25,912,000	13,219,000	10,786,000	9,001,000
Bulgaria	$	17,233,000	812,000	11,275,000	6,998,000
	£	3,546,000	167,000	2,320,000	1,440,000
Czechoslovakia	$	35,239,000	4,875,000	15,474,000	16,966,000
	£	7,251,000	1,003,000	3,184,000	3,491,000
Denmark	$	100,054,000	15,824,000	6,571,000	13,516,000
	£	20,587,000	3,256,000	1,352,000	2,781,000
Finland	$	50,364,000	956,000	....	....
	£	10,363,000	197,000	....	....
France	$	30,436,000	145,009,000	33,816,000	15,362,000
	£	6,263,000	29,837,000	6,958,000	3,161,000
Germany	$	1,410,476,000	216,514,000	98,716,000	130,068,000
	£	290,221,000	44,550,000	20,312,000	26,763,000
Great Britain	$	36,818,000	485,235,000	....	....
	£	7,576,000	99,842,000	....	....
Greece	$	20,916,000	5,136,000	75,311,000	70,864,000
	£	4,304,000	1,057,000	15,496,000	14,581,000
Hungary	$	84,579,000	7,870,000	63,399,000	49,640,000
	£	17,403,000	1,619,000	13,045,000	10,214,000
Irish Free State	$	14,969,000	2,129,000	....	....
	£	3,080,000	438,000	....	....
Italy	$	337,486,000	113,216,000	9,866,000	78,703,000
	£	69,442,000	23,295,000	2,030,000	16,194,000
Netherlands	$	953,000	43,224,000	122,000	21,233,000
	£	196,000	8,894,000	25,000	4,369,000
Norway	$	29,245,000	22,970,000	29,350,000	18,240,000
	£	6,017,000	4.726,000	6,039,000	3,753,000
Poland	$	115,275,000	51,193,000	8,301,000	12,816,000
	£	23,719,000	10,534,000	1,708,000	2,637,000
Portugal	$	....	11,546,000	5,842,000	44,600,000
	£	....	2,376,000	1,202,000	9,177,000
Rumania	$	....	13,836,000	27,255,000	110,021,000
	£	....	2,847,000	5,608,000	22,638,000
Russia	$	....	....	8,330,000	....
	£	....	....	1,714,000	....
Spain	$	....	72,230,000	1,288,000	142,699,000
	£	....	14,862,000	265,000	29,362,000
Sweden	$	20,278,000	19,230,000	1,220,000	36,586,000
	£	4,172,000	3,957,000	251,000	7,528,000
Switzerland	$	....	16,804,000	165,000	13,953,000
	£	....	3,458,000	34,000	2,871,000
Turkey	$	....	8,505,000	....	....
	£	....	1,750,000	....	....
Yugoslavia	$	43,780,000	6,932,000	1,803,000	13,827,000
	£	9,008,000	1,426,000	371,000	2,845,000
Miscellaneous	$	32,702,000	10,124,000	8,884,000	7,008,000
	£	6,729,000	2,083,000	1,828,000	1,442,000
Total	$	2,585,214,000	1,352,753,000	528,741,000	878,581,000
	£	531,937,000	278,344,000	108,794,000	180,778,000

ASIA, AFRICA AND OCEANIA
(Exclusive of British Dominions)

Country		United States		Great Britain	
		Government Securities	Private and Corporations	Government Securities	Private and Corporations
Africa	$	....	18,849,000	....	....
	£	....	3,878,000	....	....
China	$	....	113,754,000	177,648,000	263,048,000
	£	....	23,406,000	36,553,000	54,125,000
Japan	$	211,319,000	60,700,000	185,589,000	335,986,000
	£	43,481,000	12,490,000	38,187,000	69,133,000
Other Asiatic Countries	$	67,159,000	210,908,000	82,620,000	269,443,000
	£	13,819,000	43,397,000	17,000,000	55,441,000
Total	$	278,478,000	404,211,000	445,857,000	868,477,000
	£	57,300,000	83,171,000	91,740,000	178,699,000

ments in other parts of South America total 1,022 million dollars of which Chile accounts for some 40 per cent and Venezuela for about 25 per cent. The large sum invested in Chile represents our holdings in copper and nitrate companies. Kennecott and Anaconda are represented there while should the Chile Nitrate Co. be formed as is now planned the Guggenheim interests of New York will hold a heavy minority interest in it. In Venezuela our principal interest is oil and it should be particularly noted that our Standard Oil Co. of New Jersey is competing as usual with the British controlled Royal Dutch Shell Co. Great Britain's direct investments in South American countries other than Argentina and Brazil amount to about 780 million dollars and are therefore less than ours, her income also being correspondingly less. Indeed, it will be noted that but for England's long established interests in Argentina and Brazil, the United States would be South America's most important creditor.

In Central America the relative positions of England and ourselves is reversed. The total amount which we have invested there is well over two billion dollars of which the greater part has gone to Mexico and Cuba and mostly represents the commitments of private and corporate American investors. England has a stake amounting to between seven and eight hundred million dollars in Central America, Mexico being responsible for the greater proportion, although Cuba, which we have been led to believe is our exclusive preserve was responsible for some 180 million dollars. Of the direct investments made by both countries there is little difference as to class. For the most part they have been made to exploit raw material resources and to improve communications. We have invested vast sums in Cuba's sugar industry, Mexico's oil fields and also in the production of gold, silver, copper, and other metals throughout the latter country. Lately, however, we have tended towards public utilities and many of these properties have been bought from British or Canadian owners.

While one might think that investments in the British Dominions and Crown Colonies would be almost a domestic affair, such is by no means the case and we have a very heavy financial interest in these lands, although not of course as great an interest as that possessed by Great Britain. We have invested in the British Empire, outside the mother country herself, nearly five billion dollars, which is distributed about equally between government securities and private and corporate holdings. Our most important commitment is in Canada, to whose various governmental bodies we have lent nearly 2,500 million dollars while our direct investments there total nearly two billion dollars. This is a great deal more even than England's investments in Canada, as her total of the two classifications amounts to barely three billion dollars. The reasons for our tremendous "stake" in Canada are all fairly obvious ones. She is close to us and her vast territory is in ideal reservoir of raw material needed by our industries. Many American companies maintain branch factories there; many of our chain stores have Canadian subsidiaries; we have helped to build her railroads, develop her mines and forest products and we have invested large sums in her public utilities. No wonder Canada is one of our best customers, when she

(Please turn to page 548)

Things To

From Isolation to Insulation

"WE continue to talk about the beauties of national isolation" writes a commercial economist of the old school, "but I suspect that what we really mean is insulation. We enjoy being in the international circle but we don't want to be of it. We love to read in the papers of Mr. Mellon at Paris, of Mr. Stimson at Berlin, of General Dawes at London. We are greatly elated with self admiration when President Hoover butts into the German situation.

"We adore the international spotlight, but we don't want to pay for it. We always try to get out of the hall before the hat is passed. We mix into about every international powwow that comes along by means of an 'observer' unless we are convinced that a regular delegate can dodge all responsibility for its deliberations. The general policy is to endeavor to take a hand in international councils while wearing an asbestos suit to protect us from the flames we assist in creating.

"Take the recent conference at London: Our delegates were strictly enjoined to keep away from all political commitments, which is about the same as instructing them to talk but do nothing. Take the Kellogg pact to abolish war: We rallied all the nations into it but blandly parried all suggestions that we make it enforcible, which was like passing a criminal statute and at the same time instructing the police not to enforce it.

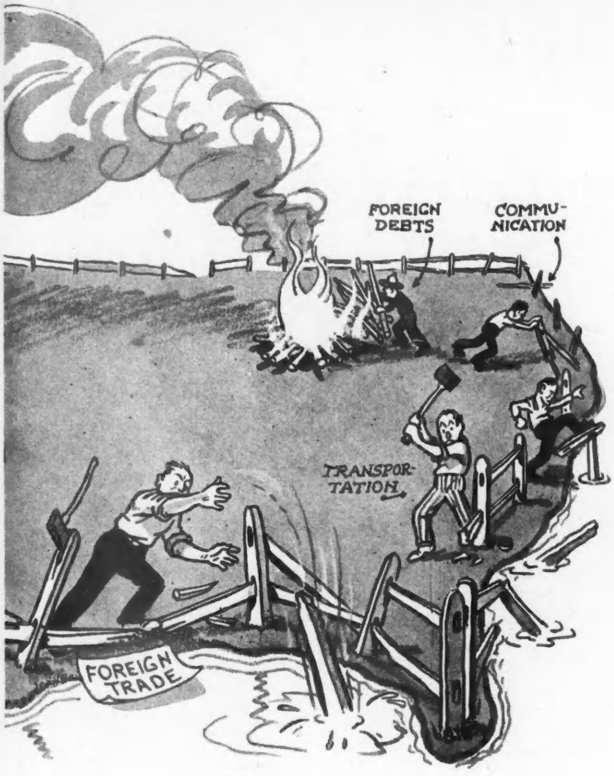
"We know that isolation is only a tradition but we still have hopes of insulation. Once we enjoyed physical isolation, but the four-day steamer across the Atlantic left only shreds of that fence, and the airplane and the airship will soon destroy them. We were formerly insulated by ignorance from much that went on in the world but the cable and above all the radio have crashed that barrier. We still hold the tariff fence but in many respects the flood of international trade has sunk it deep, as when a 63-cent duty on wheat leaves us with 23-cent wheat in Kansas.

"We were as happy as a cat in catnip when we were distributing loans all over the world but we are as mad as a disturbed hornet when repayment and interest are offered in the only way international loans ever were or ever can be liquidated. That way, of course, is in trade balances, but we don't want their goods. We have surpluses of our own to sell and we would rather sell for I.O.U.'s than take the other fellow's goods. We did not directly dip our hands into the spoils of the war but we sat by and permitted our allies to write a peace treaty of monstrous folly, saddling the losers with impossible debts. We did not extinguish a world conflagration but merely assisted in turning its flames in new directions. Now our sole thought is to avoid being scorched, but it is all of no avail. The sea of international entanglement rises as irresistibly as did the tide against King Canute's command. We will have to swim pretty soon."

A Closure for Every Taste

The old simile of the tail wagging the dog is called to mind by what is happening in the container industries. Just when manufacturers of jars and bottles, tubes and cartons, were ready to spring at one anothers' throats in bitter competition for the limited amount of business, lo and behold, an invasion, transforming the physical appearance of the rival receptacles and going far to insure to each class of containers a separate field of usefulness more distinct, or more susceptible of specialization, than had been known before.

Closures are the hangers-on that are changing the direction and pace of progress. All the play of Yankee invention, in recent years, seems to have operated to converge the several species of containers upon one vast common market where competition was largely in terms of price and in saving of weight for the sake of the transportation budget. Now comes the new generation of closures to break up the mass demand for containers, rejuvenate old products, and, incidentally, create new supply industries that are as distinct an addition to the industrial picture as the plants that have arisen in a neighboring field to provide cellophane and vegetable parchment and all



Think About

the new, impervious, "see-through" wrapping papers.

The novelties in closures, that have put fresh vitality into conventional package forms, range all the way from modernized corks, through the gamut of covers and caps to the new-fangled hermetic seal which carries its own opener in the form of a wire lever which needs but be raised to remove the cap. Some of the innovations which affect that vast public which lives out of jars and cans are more or less technical. For example, the improvement which lets a screw cap hug the glass thread on the jar instead of depending upon side pressure. But, most of the newcomers seek to rouse the public by new standards of convenience or new ideals of ornamental appearance.

Both objectives are exemplified in the most numerous family in the community of new closures, viz., the moulded caps and closures which, at one jesture, banish rust and corrosion from the mouths of metal tubes; reduce the profanity induced by the tiny, slippery caps of yesterday; and bring to the crown of the package the note of color necessary for a balanced ensemble. Some experts in marketing go so far as to assert that the manner in which the toilet goods trade has maintained volume in the face of business depression is in no mean degree attributable to the introduction of the plastics or composition closures that have qualified cosmetic containers for permanent service as dressing table ornaments.

A distinct refinement of practice, if not a new school of packaging, has been ushered in by a class of closures which automatically and most obviously act as the seal inviolate for an original package. The purpose is of course, to reassure the consumer who is determined to secure "the genuine." Typical of this insurance technique is the closure which, under its metal cap, deposits a transparent film across the top of the capped container, a film that must be torn off or broken to reach the contents.

A Golden Proof of Flying Safety

Not even life itself is more diligently guarded and protected than gold, immemorial symbol of treasure. For centuries men and nations have fought to get it and to keep it. Engineering genius has made impregnable strongholds of the gold vaults of the great central banks and robbery or loss therein are out of the question. But gold is a restless traveller. Large quantities have recently been moving from London to Paris. It is in transit that the risk of loss is greatest. The heaviest gold losses have always been due to the sinking of ships at sea. In addition, gold in transit is unproductive and because of the loss of earning power, speed is essential. Seeking both safety and speed, gold in transit from England to France has now abandoned the railway and steamship for the airplane. Hundreds of millions have been so transported by joint arrangement of the Bank of England and the Bank of France. There could be no more striking vote of confidence in the safety and practical usefulness of aviation. Temporary depression should blind no one to its commercial future. Ultimately, there will be profits and dividends in it.

There Is a "New Era"

The census bureau tells us that California spends more on automobiles and their upkeep and operation than it does on food. Anybody who had predicted such a state of affairs twenty years ago would have been proposed for admission to a hospital for the insane. Some people think it is a crazy condition. They are thinking in terms of an economy that the world is rapidly outgrowing. Mere subsistence was the supreme end of industry and commerce until comparatively recent times. California has not gone broke because it spends more money on automobiles than on food. Neither will the world be headed for bankruptcy when it follows California's example. On the contrary, it will be progressing on the only highway to more and more prosperity—that of increasing consumption of comforts and luxuries. The world has been merely existing for untold centuries; now it is beginning to live. Really, our present troubles are those of transition from an old to a new and better economy. We are confused by our achievements, and paralyzed by our success. But not for long.

Steel Colossus Surrenders to the Inevitable

Stage May Now Be Setting for Sweeping Changes at Home and Abroad in the Industrial Realm of Steel

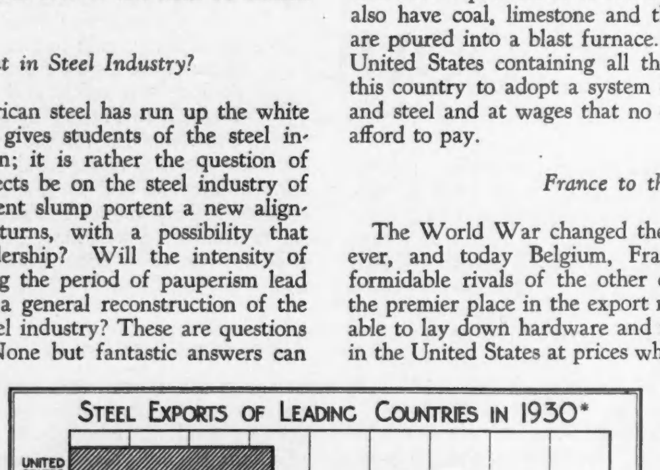
By THOMAS J. CONANTE

THE world's steel industries have definitely joined the paupers and foresaken the princes. Prince among princes in the days of effulgence, steel, as ever, dons rags when the sun of prosperity ceases to shine.

The United States Steel Corporation signalized its transition to the industrial lower classes by reducing its dividend on July 27 from 7 to 4 per cent, on an annual basis. Bethlehem followed suit July 30 by halving its \$4 rate, and with a probable cut in wages next month the surrender of one of the greatest industrial citadels man has built up against the assaults of time and change will be complete. From an output of 50 million tons in 1929 this colossal industry has fallen to a current rate of less than 30 million tons.

New Alignment in Steel Industry?

It is not only that American steel has run up the white flag for the moment that gives students of the steel industry the greatest concern; it is rather the question of what will the ultimate effects be on the steel industry of the world. Does the present slump portent a new alignment when prosperity returns, with a possibility that America may lose its leadership? Will the intensity of domestic competition during the period of pauperism lead to new consolidations and a general reconstruction of the corporate fabrics of the steel industry? These are questions that are merely poised. None but fantastic answers can be given. It will suffice to take a look at the present position and prospects of steel throughout the world.



Iron ore deposits are common throughout the world, but the richest and largest deposits are in the United States. The world produced 194,700,000 tons of ore in 1929 of which approximately 75 per cent came from the mines in the United States, France, Luxembourg, England, Sweden and Spain. The remainder came from a large number of small producing nations, the most important being Newfoundland, Czechoslovakia, Tunisia, Chile, South Australia, Poland and Italy. It is estimated that 38 per cent of this supply came from the United States, 26 per cent from France, 7 per cent from Great Britain and 10 per cent from the British Empire as a whole.

It is claimed that India can produce pig iron and lay it down in the United States at prices that would ruin us, but of course the total potential production of India would keep our mills running but a few days and the infinitesimal production would have no effect whatsoever upon this market. It is necessary that a nation have much more than iron ore to produce steel successfully at a profit. It must also have coal, limestone and the other ingredients which are poured into a blast furnace. The rich ore veins of the United States containing all these essentials have enabled this country to adopt a system of mass production of iron and steel and at wages that no other nation could possibly afford to pay.

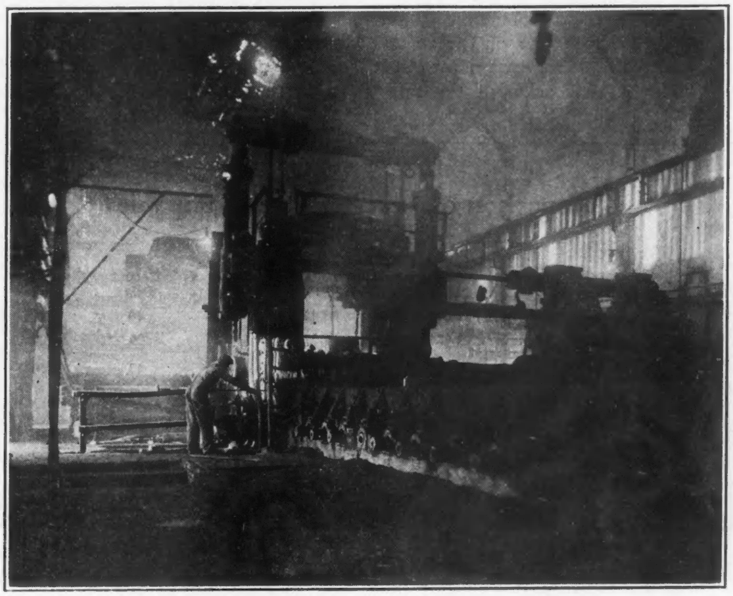
France to the Fore

The World War changed the situation somewhat, however, and today Belgium, France and Luxembourg are formidable rivals of the other countries of the world for the premier place in the export markets. Belgium has been able to lay down hardware and finished light steel products in the United States at prices which could not be duplicated by our domestic manufacturers. England has been shipping in to our seaboard cities structural steel, steel casements and other important items. The freight rate only makes it impractical to sell these imported commodities in markets far from the Atlantic and the Pacifice seaboards. For sometime, however, structural steel has been used on the Pacific Coast. It would have been used to even greater extent in New York and other important cities on the Atlantic

Coast had it been possible for the builders to obtain a complete assortment of sizes and shapes, but the heavy structural shapes are not imported so readily nor are they rolled abroad to meet with the building codes of the United States.

The end of the World War left France in possession of most of the rich German iron fields, but the French industry largely dependent upon German coal. Nevertheless, in the past two years France has passed both Britain and Germany in pig iron and steel output. France has been concentrating upon a complete rebuilding of her home industries, and she has been able to market most of her production at home. Belgium rebuilt much earlier and therefore the Belgium mills were much sooner a factor in the export markets. But today the French and Belgium mills are seeking to supply the wants of the European markets and consequently the German steel industry has been placed in direful straits. In the future France will have to be reckoned with in all the world markets.

The German market has been consuming less and less steel. The German railroads curtailed their purchases to a minimum during 1930. In Austria the situation has been somewhat the same although during the first few months of 1931 the Austrian market has been consuming a little structural steel due to the building program inaugurated by the State. Russia is preparing to take care of her own wants and the Soviets are now engaged in the building of one of the largest steel mills in the world. Russia expects to be in a position to produce as much as 40 per cent of the possible combined output of the other six leading countries of Europe. At the present time, however, Russia is consuming very little steel and she has not figured in the steel markets appreciably since the war. The projected Russian mills are so far inland that it is doubtful whether they could successfully dump their products, once her mills are producing, in foreign markets owing to the cost of the freight haul.



Eugene Hutchinson Photo, Courtesy Colorado Fuel & Iron Co.

Steel Billets—Easy to Make, Not So Easy to Sell

England, of course, has a rich vein of ore and the best coal beds in Europe. But the English wages are higher than on the continent and the export market is not flourishing. England has made wonderful technical progress within the past few years and recently organized an export association to promote foreign markets. The stocks of pig-iron have been increasing in England, however, and the industry has appealed to the government for relief.

British bankers have been engaged upon a program of "rationalization," which means a reorganization of the factors in the industry to make their outputs better co-ordinated. But due to the higher costs in England than on the Continent there has been an increase in imports of iron and steel and manufacturers thereof with a corresponding decrease in exports. This has been particularly marked during the past year. The industry is technically probably on an equality with that in the United States, and furthermore it is much better organized for co-operation, especially in the export field.

An agent of the British export association has been in Canada and his activities have been especially successful. This is indicative of one of the unfavorable things which today confront the steel industry of the United States, as Canada probably has been one of the best customers of the mills of this country. The new Bennett tariff has resulted and other obstacles are being placed in the way of selling American iron and steed to Canadian manufacturers. The tariff favors Canadian-made steel. Heretofore that has been a minor factor, but the tariff is sufficiently serious now to make the larger American mills plan to expand their Canadian plants because they foresee the necessity of producing in Canada rather than exporting to that country.

The mill capacity in the United States is probably in excess of 60,000,000 tons a year. The rate of consumption in this country this year may be less than half that amount. The larger American steel companies own plants in Canada and they very naturally will desire to retain the customers they have developed in that country despite the recent activities of the agent of the British export concern. But the only way to do that is to increase the capacities of their Canadian branches in order to get around the tariff. That leaves the American companies in the position of adding to the excess plant capacities they already own. It is not an especially pleasing outlook but a natural result of the tariff wars that have been raging throughout the world.

German competition has not been so severe during the past year or two because the German industry has been impotent what with heavy domestic taxes and reparations burdens. Many of the German steel mills have been compelled to close down and thousands of steel-mill labor have migrated from Germany into Russia. If this debt burden is lightened or lifted the conditions might conceivably change radically and the German competition be made a potent factor in the foreign markets and further plague the American industry.

As black as the world situation appears to be and as flat as the domestic market actually is, the industry here nevertheless continues to build new plants. This would seem illogical upon the face of it, but there is a reason. The United States Steel Corporation earned 17 cents a share

in the first half-year, while Bethlehem and many of the independents could show nothing for their common stocks. Despite that, United States Steel has appropriated some 36 million dollars to remodel its rail mills and Bethlehem is planning an extension of its subsidiary, the Pacific Coast Steel Corporation. Inland Steel Company, Otis Steel Company and Youngstown Sheet & Tube are building or planning new continuous sheet mills.

The strip steel produced in 1929 was 83 per cent greater than that produced in 1924. The sheet steel producing capacity of the United States is today over eight million tons, hot-rolled strip capacity four and three-quarters million tons, and cold-rolled strip capacity over one million tons. Of course it goes without saying that these new capacities and this rebuilding is predicated entirely upon a competitive condition existing in the industry and an insatiable desire of each of the large steel companies to be prepared to get the lion's share of the business when the depression is once over.

The great change in the rail-making capacity is predicated upon the assumption that the American railways are going to demand a heavier rail in the future. If the rate increase, now pending before the Interstate Commerce Commission, is granted it is probable that many of the roads will put into effect the tremendous electrification projects now under consideration. The electrification of the railroads, the increase in passenger-train speeds to compete with airlines, will make necessary heavier trains and therefore heavier rails. The quicker services will make replacements more rapid and therefore the rail-mills may profit in the not distant future. But in the meantime it requires large supplies of capital to prepare for this market in the heat of competition which now prevails in the American steel industry.

Comparison of Leading Steel Companies

	Ingot capacity in tons 12/31/30	Common Stock: Aver. earnings per share 1926-1929	1930 earnings per share	Recent Price	Dividend
American Rolling Mill Co.	1,876,705	$3.45	$0.03	20	....
Bethlehem Steel Corp......	9,430,000	7.51	5.26	35	$4.00
Inland Steel Co.	2,000,000	6.99	5.42	42	2.50
Republic Iron & Steel Co..	4,806,000	7.22	(d)	13	....
U. S. Steel Corp...........	26,778,000	13.83	9.12	85	4.00
Youngstown S. & T. Co...	3,240,000	11.81	5.17	43	2.00

(d) Deficit.

Automobiles prior to 1929 were the greatest consumers of the products of the steel mills. Motor production has been on the decline and the market has been slipping to second and third place. But the automobile industry gave impetus to the upbuilding of the alloy-steel industry. Alloy steels were first manufactured for armour plate on battleships and for the making of projectiles. There is nothing particularly new about the combination of alloys with steel to resist corrosion or to increase the strength and the hardness of steel. But the Germans first introduced rustless steel in cutlery and English makers began investigating the application of new alloys shortly after the War. Many of the steel plants in the United States undertook to make alloy-steels, first for the automobile industry and then it was introduced in the exterior walls of skyscrapers. The United States Steel Corporation did not engage in this activity until later but is today prepared to offer all kinds of alloy-steels to the chemical industry, shipbuilding, construction, the automobile and various other industries which find they can make economical use of special materials.

But alloy-steel is marketed in limited tonnage. It is a specialty and does not as yet constitute any great factor in the whole because the cost of production is too great to permit of a wide usage of the material. The steel industry undoubtedly anticipated that the time is coming when mass production methods will permit of an economical usage of these steels and then probably the whole complexion of our present industries will be radically modified. This has no bearing of importance on the immediate market, but it does explain in large measure the feverish haste with which the steel industry is rebuilding and relocating its plants. The industry is moving its factories nearer the center of their markets and preparing to reduce the cost of distribution and is getting ready to take advantage of the change in demand which they feel confident will develop in future years. This is an expensive movement and one in which only the strongly intrenched companies can successfully engage at the present time.

The severity of the competition between companies is not only manifest in their mergers, their building operations and their plans for future markets, but it is obvious in the severity of the competition in prices at the moment.

Charles M. Schwab has said that in years of prosperity, the steel industry made technological improvements and reduced the cost of production only to reduce the price of steel to the consumer. Consequently, he pointed out, in prosperous years the industry has hardly been able to earn more than 5 per cent on its invested capital. It is not surprising therefore that the quoted market price of steel has not declined during the past two years more than the record would seem to indicate. The composite price of steel mid-summer 1931 was 2.13 cents per pound. It was 2.41 cents per pound mid-summer, 1929. A decline of thirty cents per hundred seems small indeed when we look at the radical decline in commodity prices in general during the same period. Competition forced the mills to quote on a narrow margin in 1929, and when the volume declined, with heavy overheads to carry, the margin was little of nothing in 1931. even had the unit price not declined at all.

Concealing Price Cuts

But the quoted market prices are not entirely indicative of the competition on price that has developed. The Bethlehem Steel Corporation has merged a number of independent fabricators during the past year and built up a construction unit as large if not larger than the American Bridge Company, owned by the United States Steel Corporation. The prices quoted today on structural steel fabricated and erected are far below what the independent fabricator and erector can produce for, and in some instances the price erected is less than the independent fabricator has to pay for his raw material. There is no assurance of this fact but certainly the evidence is strong that the fabricating units are being used for the sole purpose of concealing cut prices on the products of the rolling mills.

(*Please turn to page 555*)

Mid-Year Dividend Prospect of Leading Stocks

Part I—Railroads, Public Utilities, Equipments

THE 1931 Mid-Year Dividend Forecast herewith presented is of outstanding interest and importance because the record-breaking and inexorable liquidation which has been going on for nearly two years has restored the stock market more nearly to a genuine investment basis than at any time in six years. Many of the leading equities are back to the quotations of 1924 and not a few stocks are selling at 1921 levels. This does not necessarily mean that such stocks are cheap or that they offer either safe promise of satisfactory dividend yield or probability of future market appreciation.

No stock can be regarded as a bargain merely because it has declined 50 points or 100 points from the fantastic prices of 1929. The prudent investor must consider not the extent of depreciation of a stock but the fundamental causes underlying that depreciation. In some instances those causes are general, relating to world-wide and virtually all-inclusive depression which has radically changed the base and character of the security market. In many others they relate to specific problems of individual industries and individual corporations. For both reasons prudent and profitable selection of stocks for investment increasingly requires the most rigid discrimination.

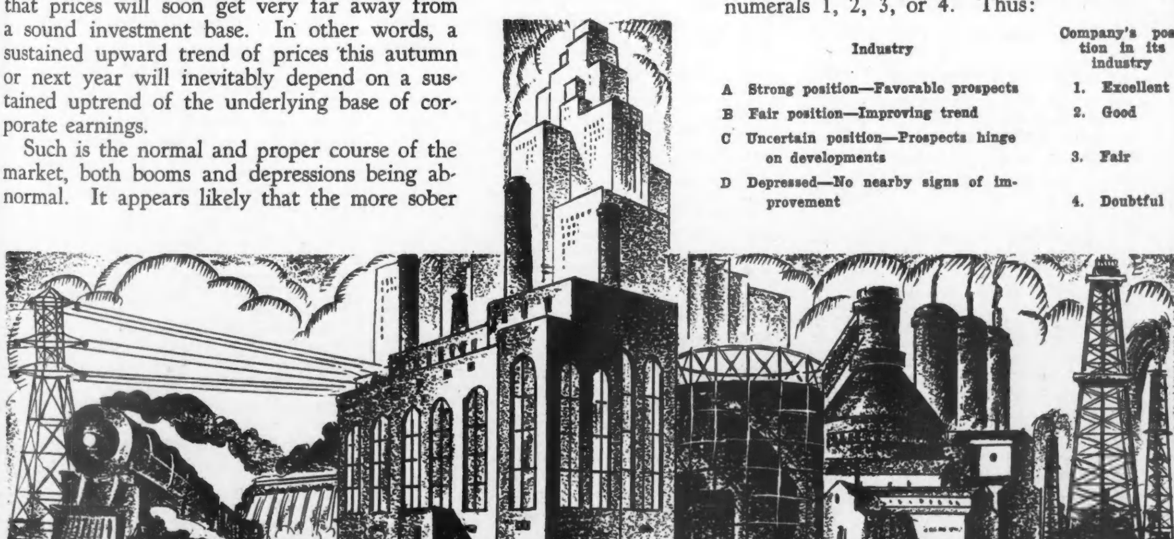
Although some stocks undoubtedly will attain record-breaking prices in the next bull market, their performance undoubtedly will be much more closely related to the actualities of earnings and yield than was the case in 1929. Psychological booms do not quickly repeat themselves. Stocks are now selling ex-imagination and even after basic recovery sets in there is little reason to expect that prices will soon get very far away from a sound investment base. In other words, a sustained upward trend of prices this autumn or next year will inevitably depend on a sustained uptrend of the underlying base of corporate earnings.

Such is the normal and proper course of the market, both booms and depressions being abnormal. It appears likely that the more sober investment attitude will last for some time, possibly for several years. As long as it lasts, the general tendency will be to demand logical valuations justified by actual earnings or by genuine prospects of corporate progress. The investor who hopes to profit during this period cannot buy blindly on the theory that everything will go up. Moreover, with the probabilities of average appreciation much more limited than in 1928 and 1929, the factor of consistent dividend yield becomes proportionately more important.

To the investor, and even to the careful speculator, this should appear an advantage rather than a disadvantage, putting a premium upon sound judgment and patience. In 1929 stocks of low yield were carried at high cost. Now the reverse is true. Interest rates are low and will remain reasonable for some time to come. Stock yields are high, in many cases so high as to suggest a slim margin of safety. On the other hand there are numerous issues of soundly situated companies on which yields of 5% to 7% appear to be safe.

It is with the purpose of offering guidance along these lines that this feature is presented. Each forecast summarizes the probabilities of future dividend action, based on current earnings, seasoned earning power, financial resources, previously indicated dividend policy and other factors. In addition, each forecast is accompanied by an investment rating which offers simple guidance as to the position and prospect of the industry, as represented by the letter A, B, C, or D; and indicates also the company's position in that industry by the use of the numerals 1, 2, 3, or 4. Thus:

	Industry	Company's position in its industry
A	Strong position—Favorable prospects	1. Excellent
B	Fair position—Improving trend	2. Good
C	Uncertain position—Prospects hinge on developments	3. Fair
D	Depressed—No nearby signs of improvement	4. Doubtful



Railroads Await Business Recovery or Increase in Rates

Long Range Outlook Hopeful

THE railroads are going through a trying period. Reports of declining earnings, dividend reductions or suspensions, and the increasingly threatening aspect of competition from newer forms of transportation have tended to create a feeling of uncertainty regarding the outlook for the rails. The prices of railroad securities, bonds as well as the common stocks, have naturally reflected this and it remains for time to prove whether the present apprehension regarding the future of the industry is well founded or merely an exaggerated fear incubated by the period of depression which this country has been experiencing, especially since the middle of 1930.

True, the growing competition from motor trucks and busses, pipe lines and inland waterways cannot fail to cloud the longer term outlook for the railroads but the bulk of the freight traffic in this country will continue to be carried by them. The most recent statistics available on the matter, covering the year 1928, indicate that the railroads handled 77% of all the freight traffic in the United States, Great Lakes traffic accounted for about 14%, pipe lines 5%, inland waterways 2%, and the remaining 2% by motor trucks, electric railways, and airplanes. A somewhat larger percentage is now handled by motor trucks but the railroads are still the chief artery of transportation without which the industrial progress of the country cannot be carried on.

Only two years ago, in 1929, the railroads were hitting the stride of prosperity and investor confidence in rail securities was high. Now the reverse is the case. Why the change in sentiment? The plight of the railroads is due largely to the diminished volume of trade as a whole in the country which naturally has affected the amount of freight being carried. When general business conditions improve much of this loss in volume of traffic will undoubtedly be made up and the earning power of the railroads as a whole will recover.

Biding the time when conditions improve, the railroads have asked the I. C. C. for a general freight rate increase of 15%, so that earning power can be maintained at a level where their credit remains unimpaired. This measure has the support of large institutional investors such as life insurance companies and savings banks which have huge amounts invested especially in the underlying bonds of the railroads. It does not now appear if quick action will be obtained, although the desirability and justification of the increase is recognized in many quarters.

The last general rate increase occurred in July, 1920, when the I. C. C. authorized the railroads to raise freight rates an average of about 33%, stressing at the time the necessity of the carriers to earn an adequate return on capital invested and maintain their credit. In 1922, a gen

Position of Railroad Common Stocks

Railroad	Earned Per Share 1930	Earned Per Share 1931*	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Atchison, Topeka & Santa Fe.......	12.86	11.90	203⅜	132¾	156	10.00	6.4	C-1	Large crop movement and operating economies favorable to net earnings. Dividend will probably be covered by fair margin.
Alantic Coast Line	7.58	8.00	120	78	89	7.00	7.9	C-2	Earnings from operations holding up, but other income off. Extra dividend of $3.00 omitted.
Baltimore & Ohio	7.45	3.50	87⅞	43⅜	49	5.00	10.2	C-1	Dividend cut this year, but earnings at present rate do not cover payments. Rapid recovery likely with business improvement.
Bangor & Aroostook	9.27	8.50	66¾	47	54	3.50	6.5	C-2	First half earnings holding up well. Outlook favorable with large potato crop.
Boston & Maine	4.02	3.50	66	32	34	....	..	C-3	Has omitted common div'd, although earnings are holding up fairly well. May resume later in year.
Canadian Pacific	2.49	1.50	45⅜	24⅛	25	1.25	5.0	C-1	Dividend cut in half, but restoration of old rate still in the future when earnings recover.
Central R. R. of N. J.	10.33	8.50	230	165	170	8.00	4.7	C-1	Has deferred payment of extra div'd awaiting recovery of earnings.
Chesapeake Corp.	3.48	3.50	54⅛	27⅛	36	3.00	8.3	C-1	Has large floating debt, which may involve financing. Div'd may be affected although not believed likely.
Chesapeake & Ohio	4.44	3.50	46½	27	35	2.50	7.1	C-1	Bituminous coal comprises ⅞ of freight. Earnings satisfactory considering depressed conditions.
Chicago & E. Illinois	def 39.95	def	(nt)	(nt)	(nt)	....	..	C-4	Dividend possibilities remote.
Chic., Milwaukee, St. Paul & Pac..	def 9.23	def	8⅞	3⅛	5	....	..	C-3	1931 deficit on common probably larger than 1930.
Chicago & Northwestern	4.28	1.25	45⅛	25	27	4.00	14.8	C-2	Dividend in doubtful position in view of sharp drop in earnings.

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eral reduction of 10% was ordered and since then rates have been reduced to lower and lower levels by a "whittling down" process. Numerous rate reductions on individual commodities have been granted which have later necessitated the lowering of other rates to restore equilibrium to the general rate structure. The net result has been that the average freight ton-mile revenue of the Class I railroads declined from 1.275 cents in 1921 to 1.063 cents by 1930, a drop of 16.6%.

During the past year and one-half the railroads have effected large savings in operating expenses, although not to the extent to offset losses involved through declining traffic. For the first five months of this year, Class I railroads had total revenues from freight and passengers of $1,817,627,034 a decline of about 430 million dollars from 1930 and 717 million dollars from 1929. Total operating expenses, however, have been reduced only about 303 million and 430 million dollars respectively. Net operating income for the period amounted to $188,387,589 against $358,436,232 in 1930 and $504,893,410 in the 1929 period.

The second half of the year should witness comparatively better reports although further dividend adjustments are likely if earnings continue below dividend requirements. While admittedly the situation is not at all optimistic at present, still the longer range outlook is not without attractive possibilities. The railroads are awaiting either one or both of two developments, namely, a general increase in freight rates which will enable them to increase their earnings on the basis of present volume of business, or a recovery in general business which will again insure them a normal volume of business. In view of their present operating efficiency, the railroads are in a position to show a rapid recovery in earnings when business does improve.

Position of Railroad Common Stocks—*Continued*

Railroad	Earned Per Share 1930	Earned Per Share 1931*	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Chicago, Rock Island & Pacific	5.56	2.50	65½	22½	37	4.00	10.8	C-1	Unless earnings recover in second half, dividend may be cut further.
Delaware & Hudson	9.10	7.00	157¼	107½	118	9.00	7.6	C-1	Rail earnings down sharply, but has tremendous investment account. Dividend probably maintained for time being.
Delaware, Lack. & Western	3.60	3.10	103	45¼	52	4.00	7.7	C-1	Dividend reduced from $6.00 to $4.00. Present dividend probably maintained unless earnings continue sharp drop.
Erie	1.07	1.00	39¾	13½	20	....	..	C-2	Second preferred dividend omitted this year. Drop in gross offset by operating economies.
Great Northern	7.24	3.50	69¾	43⅛	42	4.00	9.5	C-1	Earnings in 1931 probably below the dividend basis of $4.00, reduced from $5.00 paid out last year.
Illinois Central	6.01	def	89	41½	44	4.00	9.1	C-1	Unless business picks up sharply in second half, probably no earnings on common. Dividend not safe.
Kansas City Southern	2.09	1.00	45	25	27	2.00	7.4	C-2	Expenses cut sharply to meet decline in revenues.
Lehigh Valley	2.07	0.50	61	37¼	40	2.50	6.2	C-2	Cutting operating expenses sharply, but dividend probably will not be covered by wide margin.
Louisville & Nashville	5.64	4.10	111	61¼	72	5.00	6.9	C-3	Dividend reduced from $7.00, but present rate of $5.00 will probably not be covered in 1931.
Missouri, Kansas & Texas	3.00	def	36¾	9⅞	13	....	..	C-3	Will probably not cover preferred div'd requirements.
Missouri Pacific	3.77	2.50	42¾	14	22	....	..	C-3	Good wheat prospects in road's territory indicate better earnings in second half.
New York Central	7.21	4.50	132¼	71½	76	6.00	7.9	C-1	Dividend cut from $7.00 but present rate will probably not be covered this year, and therefore may be further reduced.
N. Y., Chic. & St. Louis	6.63	3.50	88	25	32	....	..	C-2	Sharp drop in earnings made recent dividend suspension necessary.
New York, New Haven & Hartford	7.33	6.50	94⅞	63	66	6.00	9.1	C-1	Aggressive management instrumental in maintaining favorable level of earnings.
Norfolk & Western	21.97	15.00	217	139	164	12.00	7.3	C-1	Maintaining fair level of earnings in face of heavy traffic decline.
Northern Pacific	6.95	3.50	60⅞	30½	36	5.00	13.9	C-1	Dividend cut likely unless second half earnings show recovery.
Pennsylvania	5.29	3.00	64	42⅛	45	3.00	6.7	C-1	Earnings in 1931 may just about cover dividend, which was cut from $4.00 annual basis.
Pere Marquette	1.84	def	85	28	30	....	..	C-3	In view of sharply curtailed earnings common dividend was dropped earlier in year.
Pittsburgh & West Virginia	4.76	2.25	86	49⅞	50	....	..	C-2	Higher interest charges and drop in business reduce net on common. Dividend passed recently.
Reading	4.05	1.50	97½	60⅜	65	4.00	6.2	C-1	Dividend rate being maintained,, but earnings far from covering requirements.
St. Louis-San Francisco	5.77	def	62¾	9	16	....	..	C-3	Heavy crop movement will aid company, but no earnings likely on common and little if any on preferred.
St. Louis-Southwestern	def 3.38	def	33½	7	13	....	..	C-3	Territory hard hit by depression and competition. Another large deficit likely this year.
Southern Pacific	8.24	4.50	109½	67¼	77	6.00	7.8	C-1	Dividend may be reduced in view of drop in earnings, but stock attractive for long pull.
Southern Railway	4.72	def	65⅞	27	28	6.00	21.4	C-2	Reduction of dividend very likely as earnings have dropped sharply.
Texas & Pacific	6.36	4.00	100	85	85	5.00	5.9	C-2	Expenses curtailed sharply and net being fairly well maintained, although dividend not quite covered.
Union Pacific	15.63	13.50	205⅛	137	155	10.00	6.4	C-1	High grade issue with ample backlog of earnings and large liquid investments.
Wabash	0.29	def	26	8	11	....	..	C-2	Dividend possibility remote in view of earnings but road has strategic position.
Western Maryland	0.87	0.25	19⅝	9	12	....	..	C-3	Shares have speculative merit, but dividends on common not likely for some time.
Western Pacific	def	def	14⅞	4	8	....	..	C-3	Is still engaged in strengthening position through rehabilitation and extensions. Earning power some years off.

* Estimated. (nt) No transactions so far this year.

Utilities In Strong Position As Turn Approaches

Earnings Meet Test of Depression

WHILE mention of the stability of the public utility industry during depression has become almost platitudinous, this characteristic nevertheless holds considerable significance for investors and is one which the utility industry possesses more than any other major branch of industry. Just how stable the industry is compared with others is brought out in striking fashion in the earnings reports for the first quarter of the present year, a time when business was by previous measures and standards depressed. The earnings during this period of 259 industrial corporations as a whole were 54.8% under those of the same period of 1930; the aggregate earnings of 171 railroads showed a decrease of 39.3%, but the earnings of 76 light, power and gas companies declined only 1.6%.

The chief effect of the depression on the public utility companies was to halt temporarily the steady upward trend which was so characteristic of the industry for many years. The electric power and light branch of the industry had been increasing its output 12% annually while gross revenues were increasing about 11% annually. In May of 1930, however, the weekly output of electricity began dipping below the output of the corresponding week of the previous year and continued to run consistently below the previous years' output until the second week in July of 1931. The trend from now on should be more favorable, even though business in general continues at its present low levels.

Should business, however, gradually recover to normal, then large gains in demand should be scored. Industrial demand will show the greatest gains because the present industrial slack has witnessed a sharp falling off in this division. Commercial and especially residential demand have held up remarkably well; in fact the latter has been registering steady gains despite depressed conditions. Utility companies have been making intensive efforts in the sales of household appliances and equipment, both electric and gas, so that demand naturally is increasing briskly.

The other branches of the public utility industry have likewise been hit by depressed business conditions. Revenues of the gas companies are running some 3% below last year, with the natural gas companies showing a larger drop than the manufactured gas concerns. In some sections of the country, and especially those in which natural gas is produced, the extremely low oil prices have cut into the business of the gas companies especially for industrial demand because many companies are equipped to burn either fuel whichever is most economical. Stabilization of the oil industry and restoration of normal price levels will remedy the present situation which is in all probabilities only temporary. The extension of the natural gas pipe line sys-

Position of Public Utility Common Stocks

Company	Earned Per Share 1930	Earned Per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Amer. Commonwealth Power "A"	(a) (d) 2.52	(a) (d) 2.45(2)	17	10½	13	10% stock	10.0	A-2	Company has experienced rapid expansion. No change likely in dividend style in near future.
American Light & Traction	3.44	3.28(2)	54⅛	34⅛	38	2.50	6.6	A-1	Chiefly a gas utility with some electric properties and large investments. Earnings covering dividend by ample margin.
American Tel. & Tel.	10.44	6 mos. 4.89	201¾	156½	171	9.00	5.3	A-1	Business depression has affected earnings somewhat, but dividend being covered. Economies being put through.
American Waterworks	3.10	2.79(3)	80¾	40⅝	47	3.00	6.4	A-1	Dividend not being covered, but with revival in business earnings should pick up rapidly.
American & Foreign Power	2.20(1)	0.03(2)	51¾	21¼	27	...	...	C-1	Disturbed foreign conditions affect earnings severely. Dividends on common some years off.
American Gas & Electric	4.38	4.16(2)	97½	48⅛	65	$1.00 + 4% stock	5.5	A-1	Large industrial electric load temporarily affects earnings, but quick recovery likely. Same dividend probable for some time.
Associated Gas & Elec. "A"	2.08 (m A)	NF	23¾	11¼	13	$1.00 or 8% stock	7.7	A-2	Cash dividend on Class "A" stock recently cut from $2.00 to $1.00, although applicable earnings are probably large enough to pay the $2.00 rate.
Brooklyn Union Gas	7.23	NF	129¾	99	109	5.00	4.6	A-1	Company's business static in recent years. Present dividend earned by ample margin.
Central Public Service "A"	(b) (c) 1.93	NF	19⅝	10	..	10% in stock	10.0	A-2	Steadily acquiring additional properties. No change in dividend style looked for.
Columbia Gas & Electric	1.76	1.59(2)	45⅝	20⅝	28	2.00	7.1	A-1	Present dividend not being covered and unless business recovers may be reduced. Rapidly expanding its gas system.

(Continued on opposite page)

tems over long distances to the consuming markets has continued to make great progress.

The American Telephone & Telegraph system which controls some 75% of the phones in this country reports for the first six months of this year a net loss of about 100,000 telephones or ⅔ of 1% of those in service. In 1930 there was a net gain of 122,500, and 821,400 instruments were added in 1929.

A study of the various factors influencing the public utility business indicate that earnings are now probably at the lowest level they will reach in the course of the present depression. First there is the probability that from now on the output of both electricity and gas will rise above the corresponding 1930 level, especially if business revival gets under way. Moreover, in the course of the past year most of the larger systems have made important reductions in operating expenses with the result that net earnings are not likely to decrease from current levels; rather, with improving conditions gains in net income are apt to be very rapid.

There is of course the political angle to be considered. For the time being foreign developments have overshadowed this question, but it is bound to come to the forefront again and eventually result in closer regulation of the industry, but this should by no means be construed as unfavorable.

Position of Public Utility Common Stocks—*Continued*

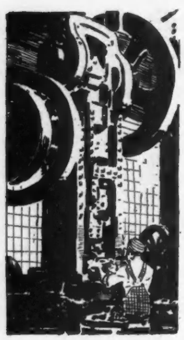
Company	Earned Per Share 1930	Earned Per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Commonwealth & Southern	0.60	0.50(4)	12	6⅞	7	0.40	5.7	A-1	Dividend cut from 60 cents yearly. Present rate being earned by fair margin, and when business recovers old rate may be re-established.
Con. Gas, El. Lt. & P. of Balt.....	5.28	5.21(3)	101	77	89	3.60	4.1	A-1	Conservatively managed company. Dividend covered by ample margin.
Consolidated Gas of N. Y...........	5.06	NF	109⅝	82⅛	91	4.00	4.4	A-1	Company should benefit from new promotional electric rate now in effect. Dividend earned by good margin.
Detroit Edison	8.75	8.76(4)	195	140¾	155	8.00	5.2	A-1	Slow uptrend now likely in net. Expenses well in hand and in position to benefit fully from recovery. Same dividend likely for present.
Electric Bond & Share	2.43	6 mos. 1.95	61	31⅛	37	6% stock	6.0	A-1	Owns large interest in affiliates in foreign and domestic field. No change in div'd style looked for.
Electric Power & Light.............	2.86	2.85(2)	60¾	30⅛	38	1.00	2.6	A-1	Has attractive possibilities in natural gas. Earnings holding up, but no change in dividend expected.
Federal Water Service "A".........	2.74 (m A)	2.62 (m A)	30	11¼	14	1.20	8.6	A-2	Earnings receding gradually. A reduction in rate on "A" stock not unlikely.
General Gas & Electric "A"........	0.48(a)	(a) (2) 0.43	8½	4⅛	5	0.30 or 6% stock	6.0	A-2	Large holdings of Assoc. Gas & El. Co. securities. No change in div'd payments looked for.
Interborough Rapid Transit.........	nil	nil	34	19½	21	...	...	C-2	Political considerations still paramount in company's outlook.
Internat'l Hydro Electric "A"......	4.17(c)	(5) 0.99(c)	31	16¾	23	$2.00 or 8% stock	8.7	A-2	Has acquired extensive properties north of Boston. No change likely in present style of dividend.
International Tel. & Tel............	2.07	6 mos. 0.88(e)	38¾	18¾	28	2.00	7.1	B-1	Has acquired interest in Ericsson Telephone Co. Earnings running below dividend requirements and change may occur.
Louisville Gas & Electric "A"......	2.35(a)	NF	35⅝	25	29	1.75	6.0	A-1	Earnings holding up well and "A" stock in sound position.
Middle West Utilities	1.59	NF	25¼	14¼	17½	8% stock	8.0	A-1	Net earnings slightly lower, but no change in dividend policy likely.
National Power & Light............	1.99	1.81(2)	44¼	20¼	24	1.00	4.2	A-1	Net dropping off gradually, but dividend covered by ample margin. Should experience rapid recovery when conditions improve.
Niagara-Hudson Power	0.61	0.52(4)	15½	9⅛	11	0.40	3.6	A-1	Domestic and farm sales show uptrend, but industrial business severely affected. Dividend covered by good margin.
North American	4.36	4.35(2)	90¼	56¾	65	10% stock	10.0	A-1	System in strong position. Policy of paying dividend in stock will probably be continued.
Pacific Gas & Electric	3.07	3 mos. 0.66	54⅞	38	46	2.00	4.3	A-1	Has undertaken large expansion in natural gas. Dividend earned by ample margin.
Pacific Lighting	4.45	4.39(2)	69½	48½	52	3.00	5.8	A-1	Industrial gas business severely affected by depression. Earnings, however, cover div'd by wide margin.
Peoples Gas, Light & Coke.........	11.49	10.79(2)	250	183¼	195	8.00	4.1	A-1	Net earnings maintained through operating economies. No change in dividend expected.
Public Service of N. J..............	4.01	4.03(6)	96	72	78	3.40	4.3	A-1	System showing gains in both gross and net over last year. Dividends covered by fair margin.
Southern California Edison	3.25	NF	54½	36	42	2.00	4.7	A-1	Earnings gains continuing. Dividend covered by good margin.
Standard Gas & Electric	6.04	5.66(2)	88¾	55⅛	61	3.50	5.7	A-1	Large system with widespread properties should show rapid gains when conditions right themselves. Dividend appears safe.
United Corp.	0.78	6 mos. 0.45	31	16⅛	22	0.75	3.4	A-1	May acquire additional stock in companies in which it now has an interest. Dividend will probably be maintained.
United Gas Corp....................	0.27	0.32(4)	11⅞	4⅞	6	...	..	B-1	Earnings affected by cheap oil, but longer range outlook favorable. Can pay small dividend, but not likely.
United Gas Improvement	1.54	1.54(2)	37½	25⅝	28	1.20	4.3	A-1	Earnings holding up and cover dividend by fair margin. No change expected.
United Light & Power "A"	2.01	1.63(3)	34½	17⅝	21	1.00	4.8	A-1	Earnings have gradually dropped off, but dividend being covered and no change looked for.
United States Electric (w.w.)	0.37	NF	8⅝	3¼	4⅛	....	..	A-1	Controls Standard Gas & Electric system. No dividends likely this year.
Utilities Power & Light............	2.05	2.00(2)	31	19⅛	22	2.00 or 10% st.	9.1	A-2	Applicable earnings equal to $3.81 a share on "A" stock, but has no equity in distributable earnings over $2.00 now.
Western Union	9.03	6 mos. 4.15	150¾	96⅛	113	8.00	7.1	B-1	Economies have made possible maintenance of net earnings. Dividend covered by slight margin.

(1) Twelve months ended Sept, 30th, 1930. (2) Twelve months ended March 31st, 1931. (3) Twelve months ended May 31st, 1931. (4) Twelve months ended June 30th, 1931. (5) Four months ended April 30th, 1931. (6) Twelve months ended April 30th, 1931. (a) On combined A and B shares. (b) Before depreciation. (c) Applicable to Class A shares. (d) Before depreciation and Federal taxes. (e) Estimated. NF—No figures available. mA—Maximum distributable on Class A shares.

Equipment Company Earnings Reflect Trade Depression

Major Readjustment Seems to Be Completed

WITH a limited number of exceptions, the equipment manufacturers have been hard hit by acute business depression. In most instances earnings are at levels well under the figures of 1930, which in turn represented marked recession from 1929. At the present writing it appears probable that the majority of these companies have touched bottom in earning power, even if there should be no early recovery in business. In the event of genuine trade revival this autumn, some of the equipment groups may be expected to reflect it promptly but it is improbable that such gains would be sufficient to result in total 1931 earnings comparable to those of last year.



In general the trend of equipment stocks doubtlessly will conform closely to the major business trend but there is a strikingly wide divergence of positions and prospects of the various groups as well as among the individual companies within these groups. Accordingly, the utmost discrimination in the selection of commitments is necessary. One of the important factors to be considered is the manner in which some managements have achieved internal readjustments, Westinghouse Electric & Manufacturing, for example, having turned from substantial loss in the first quarter of this year to substantial profit in the second quarter without any corresponding change in the general business level.

Of the various groups the electrical division appears to be in fundamentally the most favored position. Earnings have declined substantially, it is true, but the nature of the industry offers basic hope for recovery. There has been virtually no interruption in the constant expansion of public utility services and this field offers a foundation of support. Depression has checked the movement toward electrification of the railroads and has cut into sales of household electrical appliances but both of these sources of demand will reopened by business revival. Sales of electrical refrigerators, on the other hand, are breaking all records and with some companies this is an important factor of promise.

With the railroads fighting to save their credit by means

Position of Leading Equipment Stocks

Electrical

	Earned Per Share 1930	Earned Per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Cutler-Hammer, Inc.	$3.61	def 6 mos.	41	17½	20	....	...	B-2	First half sales off about 35% from 1930. Resumption of dividend depends on substantial improvement.
Electric Storage Battery	6.22	NF	66	49⅛	53	$5.00	9.5	B-2	Operations substantially below 1930 level. Dividend may be continued in view of strong financial position.
General Electric	1.90	0.75 6 mos.	54¾	36	39	1.60	4.1	B-1	Sales down 28% first half, and although dividend not quite covered, rate will probably remain.
Westinghouse Elec. & Mfg.........	4.46	def 6 mos.	107¾	54¼	62	4.00	6.5	B-1	Unless business and earnings pick up sharply, dividend may be reduced further.

Railroad

	Earned Per Share 1930	Earned Per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Amer. Brake Shoe & Foundry......	3.94	NF	38	25⅞	28	2.40	8.6	D-1	Not earning dividend, but rate will probably be maintained for a while awaiting improvement.
Amer. Car & Foundry	5.44 (a)	nil (a)	38¾	14	17	1.00	5.9	D-1	Dividend recently cut to $1.00 from $3.00 rate, but not earning anything on common.
American Locomotive	1.41	NF	30¾	13⅛	16	1.00	6.3	D-1	Dividend cut from $2.00, but present low operations do not permit earnings on common.
Baldwin Locomotive	1.94	NF	27⅞	9⅛	12	....	...	D-1	Resumption of dividend payments depends on revival in equipment business.
General American Tank Car........	8.03	1.47 3 mos.	73⅛	52⅞	58	4.00	6.9	B-1	Dividend being covered by fair margin, and earnings outlook favorable.
General Railway Signal	7.07	2.10 6 mos.	84⅛	46½	53	5.00	9.4	C-1	Fair outlook, but dividend not quite being earned, and reduction therefore a possibility.
New York Air Brake	2.26	NF	25	12¼	15	1.00	6.7	D-1	Dividend cut several times from $3.60 rate. Earnings improvement depends on revival of railroad purchasing.

(Please turn to opposite page)

of higher rates and carrying retrenchment to the utmost lengths, there is scant prospect that the equipment companies in this group will experience any early improvement. Meanwhile existing equipment is being used up, however, and a replacement demand will be created which should have some favorable influence upon earnings either late this year or next year.

One or two of the office and business equipment companies show sustained earning power. The prospect of the industry is essentially favorable. Readjustments have been made and the group is in a position to benefit quickly from a turn in business.

The earnings of the agricultural equipment companies are unfavorable and the prospect is for rather slow recovery, the industry being dependent upon agricultural purchasing power, which is seriously depressed. The machine equipment group reflects great irregularity among the various companies, one or two companies serving favored industries being in a strong position while others appear unpromising.

Position of Leading Equipment Stocks *(Continued)*

Railroads (Continued)

	Earned Per Share 1930	Earned Per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Pullman, Inc.	4.37	0.15 3 mos.	58⅛	38	34	4.00	11.7	C-1	Net earnings far below dividends, and a reduction in rate probable.
Union Tank Car	2.03	NF	25⅞	20	20½	1.60	7.8	C-2	Increasing competition from pipe lines affecting company's earnings.
Westinghouse Air Brake	2.05	0.31 3 mos.	36⅛	20	25½	2.00	7.8	C-1	Earnings considerably below dividend requirements and adjustment likely.

Business

	Earned Per Share 1930	Earned Per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Burroughs Adding Machine	1.50	0.60(e) 6 mos.	32¼	19⅛	22	1.50	6.8	B-1	Is covering the regular dividend of $1.00 annually, but extra may be dispensed with.
International Business Machines	11.53	5.64 6 mos.	179¾	117	135	6.00	4.5	B-1	Earnings holding up remarkably well because of diversified products. Could pay more but not likely.
Nat'l Cash Register "A"	3.01	0.41 6 mos.	39¾	18⅜	25	....	...	B-2	Second quarter showing favorable, and may pay a dividend on "A" shares again late in year.
Remington-Rand, Inc.	1.28	0.11 3 mos.	14¾	5⅞	8½	....	...	B-2	Omitted common dividend last March. Resumption possible when business and earnings again on uptrend, but probably not this year.
Underwood-Elliot-Fisher	5.47	1.44 6 mos.	75¾	40	44	5.00	11.3	B-2	Earnings sharply down and below dividend requirements, which will probably be reduced.

Agricultural

	Earned Per Share 1930	Earned Per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
J. I. Case Company	10.95	NF	131½	59½	63	6.00	9.5	C-1	Made relatively good showing during first half, but outlook for industry clouded by agricultural prospects.
Deere & Co.	5.99(b)	NF	44¾	17	17	....	...	C-2	Working capital position favorable, but conservatism dictated passing dividend.
Inter'l Harvester	4.55	NF	60½	38⅝	40	2.50	6.3	C-1	Largest manufacturer of agricultural machinery. In strong financial position. Dividend reasonably safe.
Minneapolis Moline Power	0.56	NF	7½	2½	2½	....	...	C-3	Omission of preferred dividend recently indicates sharp earnings drop. Slow recovery only can be looked for.
Oliver Farm Equipment	def	NF	5⅝	2	2½	....	...	C-3	New management is strengthening financial position of company, but outlook still dubious.

Machinery, Etc.

	Earned Per Share 1930	Earned Per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Allis-Chalmers Mfg.	2.86	0.73 6 mos.	43¾	18⅜	24	2.00	8.3	B-1	Business off sharply and earnings below dividend requirements. Some adjustment probable.
Amer. Machinery & Foundry	2.32	1.25(e) 6 mos.	43¾	28	31	1.40	4.5	A-1	Dominant position in cigarette and tobacco machine industry. Favorable outlook, with dividend covered by wide margin.
Chicago Pneumatic Tool	nil	nil 6 mos.	15⅛	6⅛	8	....	...	C-3	Omitted preferred dividend early this year. Depression in construction industry affects business severely.
Fairbanks Morse & Co.	0.93	NF	29⅜	15⅞	14	1.60	11.4	C-2	Earnings running below last year, with little or nothing remaining on common. Dividend adjustment likely.
Foster-Wheeler Corp.	6.37	NF	64½	21½	24	2.00	8.3	C-1	Operations believed to be at a loss currently. About 50% of business in oil refining equipment. Doubt concerning dividend.
Ingersoll-Rand	4.73	NF	183	74	86	4.00	4.6	C-1	In exceptionally strong financial position and could continue dividend even though earnings outlook is unfavorable.
National Supply	4.95	loss 3 mos.	70¼	22	22	....	...	C-2	Recently passed common dividend. Depressed conditions in oil industry cloud outlook over near future.
Worthington Pump & Machy.	8.23	NF	106⅝	37⅛	43	....	...	C-2	Company in strong cash position. Preferred dividend accumulations now all paid off, but common dividend may be postponed.

(a) Year ended April 30th. (b) Year ended Oct. 31st, 1930. (e) Estimated. NF—No figures available.

What Shall the Savings Banks Depositors Do?

Lowering of Interest Rates Curtails Income Obtainable from Savings Banks Deposits—Ten High Grade Bonds and Ten High Grade Preferreds Suggested for Higher Return

By Francis C. Fullerton

SAVINGS banks depositors generally throughout the country will suffer an appreciable shrinkage of income as a result of the more or less concerted move on the part of savings institutions to allow smaller interest on depositors' funds. While it is true that many of these institutions offer investors a high degree of safety because of state supervision and on account of the manner in which their investments are prescribed for them, many who have in the last year or so directed their funds to these institutions are now no doubt looking about for other mediums in which they can invest with a comparable degree of safety and where at the same time a higher income is obtainable.

The tremendous flow of funds into savings institutions since the collapse of the securities market in 1929 is a recognition of the safety and conservatism inherent in most of them and is a result of the ultra-cautiousness instilled into many investors both small and large. Savings institutions on their part, however, have found difficulty in investing these funds within the prescribed limits imposed upon them at a return which would permit them to continue paying the higher rates of interest on deposits which were adopted by them a few years ago.

To some extent, they hesitate to invest the large amounts of new funds now flowing in their direction in the more or less permanent forms of investment common to them because they fear that a considerable part of the new deposits are temporary and will be withdrawn as soon as business starts recovering in this country. These temporary funds are on deposit by individuals and firms not only because they are liquid and can be withdrawn almost instantly but because a much higher return is available than can be obtained in the call money market or through the purchase of short term commercial paper. This type of savings the banks are trying to discourage and to some extent the adoption of lower rates is a measure to effect this.

While the savings banks are ideal mediums for small savings even under the present reduced rates of interest allowed, larger amounts may now well be invested with ample degree

Ten High Grade Bonds and Ten High Grade Preferred Stocks Suggested for the Investment of Funds in Lieu of Savings Banks Deposits

Ten High Grade Bonds

	Times Interest or Dividend Covered (1930)	Call Price	Market Price	Yield
Southern Pacific 1st 4s, 1955	2.0(a)	105	96	4.3
Atchison, Topeka & St. Fe 4s, 1955	3.8	110	95	4.3
Midvale Steel & Ord. Coll. 5s, 1936	4.3	105	103	4.3
Pacific Gas & Elec. Gen. Ref. 5s, 1942	2.7	105	105	4.4
New York Central Deb. 6s, 1935	1.5	110	105	4.4
Southern California Edison Ref. 5s, 1952	3.3	105	105	4.6
Pennsylvania 5s, 1964	1.8	102	104	4.7
Arkansas Power & Lt. 1st & Ref. 5s, 1956	2.3	105	100	5.0
Northern Ohio Tr. & Lt. Gen. & Ref. 6s, 1947	2.8	110	106	5.4
United Lt. & Rys. 1st Cons. A 6s, 1952	2.2	(b)	107	5.4

Ten High Grade Preferred Stocks

Union Pacific 4% Non-Cum	10.3	N.C.	86	4.7
Atchison, Topeka & St. Fe 5% Non-Cum	6.0	N.C.	104	4.8
Duquesne Light Co. 5% Cum. 1st	9.7	110	106	4.8
United Gas Improvement $5 Cum	15.0	110	105	4.8
Hershey Chocolate Conv. $5 ($4 Cum.)	4.9	N.C.	101	4.9
Public Service of N. J. $5 Cum	4.9	N.C.	100	5.0
Pacific Gas & Electric 6% Cum. ($25 par)	3.5	N.C.	29	5.2
Philadelphia Co. 6% Cum. ($50 par)	9.4	N.C.	55	5.5
North American Co. 6% Cum. ($50 par)	15.8	55	55	5.5
Buffalo, Niagara & Eastern Power $1.60 Cum.	3.3	26¼	27	5.9

(a)—Guaranteed by proprietary companies. (b)—Non-callable until 1947.

of safety in high grade bonds and high grade preferred stocks which will return the investor an appreciably higher return. Seasoned bonds and preferreds of large well-managed companies with long earnings records showing service requirements covered by a wide margin in good times and in bad times are securities in which the average investor can place his funds with very little risk. This type of bonds or preferred stocks is distinctly of investment character and consequently price fluctuations are very narrow, thus affording the holder of the security the chance to sell, if he is forced to do so, at little or no loss of principal.

If an investor or an individual has only a small fund, the best plan is to place this in the savings bank because not only is it safe there, but it earns interest for him and at the same time is in such form that at any time he can draw out all or any part of the deposit without the slightest loss of principal. This fund serves the purpose of a cash reserve which every investor should have. However, once having established this reserve fund, the next problem is to obtain income and this can best be done through the purchase of a diversified list of bonds, preferred stocks and investment common stocks. At first, only the highest grade bonds and preferred stocks should be bought, and as the investment fund grows larger, medium grade securities may be purchased and the investment common stocks.

Recommendations of securities included herewith are only high grade bonds and preferreds which would constitute suitable investments to take the place of savings banks deposits. In nearly every case there is large property equity behind the securities and the issuing companies have had enviable earnings records, showing interest or dividend requirements covered by a large margin over a long period of years. In deciding whether to purchase a bond or preferred stock, the small investor is confronted with the fact that many bonds do not come in denominations of less than $1,000; a few come in $500 denomination while some even come in "baby bonds" of $100 denomination. Preferred stocks, on the other hand, are readily available to investors having $500 or less, as individual preferred issues can be purchased between $25 to $30 a share, others around the $50 level, but most issues sell in the neighborhood of $100. The dividend rate paid on the preferred issue and the quality of the issue determines the selling price.

In acquiring a list of investment securities, the purchaser should, of

(Please turn to page 546)

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top. & S. Fe 4s, 1955	273.3	3.77	110	97	4.1	4.2
Southern Pacific 1st 4s, 1955	12.4	2.0X	105	96	4.2	4.3
New York Central Deb. 6s, 1935	630.2	1.54	110	107	5.6	4.3
Pennsylvania Gen. 4½s, "A," 1965	184.0	1.9	(N)	102	4.4	4.4
Illinois Central 1st 4s, 1951	....	1.5	(N)	95	4.2	4.4
Pennsylvania 5s, 1964	....	1.81	102T	104	4.8	4.7
Great Northern Gen. A 7s, 1936 (b)	139.8	1.98	....	110	6.4	4.7
Central Pacific Guar. 5s, 1960 (a)	....	1.91	105 ('35)T	103	4.9	4.8
Rock Island-Frisco Terminal 1st 4½s, 1957 (d)	....	X	102½T	96	4.7	4.9
Chic. & W. Indiana 1st Ref. 5½s, 1962	49.9	X	105	105	5.2	5.2
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 (b)	14.2	X	107½T	108	5.6	5.4
Nor'n Pacific Ref. & Impr. 6s, 2047 (a)	165.6	2.12	110 ('36)	110	5.5	5.5
Balt. & Ohio Ref. & Gen. 6s, 1995 (a)	285.3	1.64	107½A ('34)	108	5.6	5.6
Southern Railway Dev. & Gen. 6s, 1956	133.8	1.51	....	103	5.8	5.8

Public Utilities

Pacific Gas & Elec. Gen. Ref. 5s, 1942	29.0	2.67	105T	106	4.7	4.3
Utah Power & Light 1st 5s, 1944	....	2.26	105	103	4.9	4.7
Consol. Gas of N. Y. Deb. 5½s, 1945 (a)	191.1	5.51	106T	108	5.1	4.7
Indiana Natural Gas & Oil Ref. 5s, 1936	....	3.02	....	102	4.9	4.8
Montana Power Deb. 5s, 1962 (a)	33.3	2.25	105T	102	4.9	4.9
Arkansas Power & Light 1st & Ref. 5s, 1956 (c)	2.0	2.26	105	100	5.0	5.0
Hudson & Manh'n 1st Ref. 5s, 1957 (b)	5.9	1.53	105	100	5.0	5.0
Columbia Gas & Elec. Deb. 5s, 1952	....	3.27	105T	100	5.0	5.0
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" (a)	8.4	2.79	110	107	5.6	5.3
United Lt. & Rys. 1st Cons. A 6s, 1952 (b)	11.3	2.15	(N)	108	5.6	5.4
New Orleans P. S. 1st & Ref. A 5s, 1952 (a)	9.7	1.37	104	93	5.4	5.5
Amer. W. Wks. & El. Deb. 6s, 1975 (a)	12.7	1.42	110	105	5.7	5.7
Duke Price Power 1st 6s, "A," 1966	36.7	1.41	105¼T	104	5.8	5.7
Standard Gas & Elec. 6s, 1935	432.2	1.42	103	101	5.9	5.7
Standard Gas & Elec. 6s, 1966 (b)	432.2	1.42	105T	98	6.1	6.1

Industrials

Midvale Steel & Ord. Conv. Coll. 5s, 1396 (a)	....	4.34	105	104	4.8	4.1
Allis Chalmers Deb. 5s, 1937 (a)	....	5.39	103T	102	4.9	4.7
Gulf Oil Deb. 5s, 1947 (c)	....	2.99	104AT	102	4.9	4.8
Sinclair Pipe Line 5s, 1942 (a)	....	5.30	103	102	4.9	4.8
Youngstown Sh. & Tube 1st 5s, 1978 (a)	....	2.93	105T	100	5.0	5.0
National Dairy Prod. Deb. 5¼s, '48 (a)	....	7.62	105T	102	5.1	5.1
Purity Bakeries 5s, 1948	0.6	7.74	103½	94	5.3	5.5
Chile Copper Deb. 5s, 1947 (a)	....	4.81	102T	89	5.6	6.1
International Match Deb. 5s, 1947 (a)	....	5.67	103T	87	5.7	6.3

Short Terms

Humble Oil & Ref. Deb. 5½s, '32 (b)	....	7.84	102½A	102¾	5.3	..
Smith (A. O.) 1st S. F. 6½s, 1933 (a)	....	22.76	101T	103	6.3	4.7
Middle West Utilities 5s, 1933	881.6	1.42	101½	97¾	5.1	6.4

Convertible Bonds

Am. Tel. & Tel. Conv. 4½s, '39	Com.@175.4	6.10	105	134	3.4	..
Atch., Top. & S. F. Deb. 4½s, '48	Com.@166.6	3.77	102	115	3.9	3.4
N. Y., N. H. & Hart. 6s, '48	Com.@100	1.92	....	115	5.2	4.7
Baltimore & Ohio Conv. 4½s, '60	Com.@120(h)	1.64	105	90	5.0	5.2
Texas Corp. 5s, 1944	Com.@70	3.24	102T	95	5.3	5.5
Inter'l Tel. & Tel. Deb. 4½s. '39	Com.@63.9	2.27	102½	91	4.9	5.9

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. * On total funded debt.

A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1931. (N) Not callable until 1947.

Who Will Profit in the Newest Industry?

Tremendous Growth of Mechanical Refrigeration Despite Depression and Prospect of Broad Expansion a Favorable Factor in Earnings — Outlook for Several Companies

By Russel Tayte

THE General Electric Co. has manufactured more than 1,000,000 electric refrigerators since it introduced this product in 1927. The value of its total output, not separately reported, probably can be safely estimated at $150,000,000 to $200,000,000. Moreover, expansion is at a strikingly dynamic rate, 1930 sales having been 30% above those of 1929. In the metropolitan area of New York first quarter sales this year were 85% above those of the corresponding period of 1930.

Both in gross volume and net profits, a product that was a novelty four years ago has become a substantially important part of the company's business.

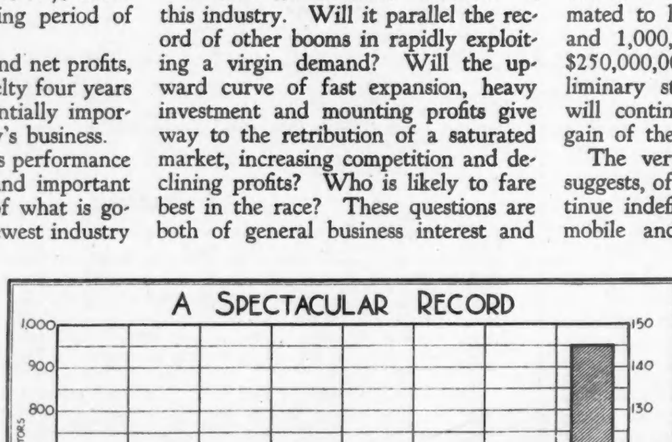
Interesting in itself, this performance is still more interesting and important as a typical illustration of what is going on in the country's newest industry — mechanical refrigeration. Frigidaire is a heavy earner for General Motors. Westinghouse has leaped into the new field. Borg-Warner, no longer relying exclusively upon the automotive field, is pushing its Norge. Until recently, Grigsby-Grunow was a radio company but out of total May sales of $2,609,086 its Majestic refrigerator accounted for $2,066,732, or approximately 80%, and radio only $558,779.

Apparently little affected by depression in general business, company after company reports rapidly expanding sales. There is business for all—for the time being. It is a boom market, comparable to preceding booms in the automobile, in radio and in aviation. As such, it looms up as an important part of the future economic picture, nothing being more vitally needed by American business than new products of wide popular appeal.

Millions will be made—and lost—in this industry. Will it parallel the record of other booms in rapidly exploiting a virgin demand? Will the upward curve of fast expansion, heavy investment and mounting profits give way to the retribution of a saturated market, increasing competition and declining profits? Who is likely to fare best in the race? These questions are both of general business interest and of specific interest to thousands of investors.

The first mechanical refrigerator, as we now know it for use in the home, was sold in 1914 and it required nearly ten years for the first 10,000 units to be manufactured and sold. By 1929 this quantity was being sold every four days. From a total of 75,000 units in 1925, sales leaped to 248,000 units in 1926, to 488,000 in 1928 and to 685,000 in 1929. The 1930 output is estimated to have been between 950,000 and 1,000,000 units, valued at fully $250,000,000. Despite depression, preliminary statistics indicate that 1931 will continue the remarkable rate of gain of the preceding five years.

The very speed of this expansion suggests, of course, that it will not continue indefinitely. As with the automobile and the radio, demand will prove to have a limit. Furthermore, replacement demand will not be comparable to that of the automobile, since the average mechanical refrigerator is of relatively long life.



From the present perspective only a rash prophet would attempt to time the probable saturation point, since it obviously will depend largely upon the pace of expanding manufacture and sales in the next few years. It appears reasonably certain, however, that the selling job will be

comparatively easy for at least the next five years. Even with sales at the rate of 1,000,000 a year, only a start has been made, for more than 20,000,000 American homes are wired for electricity and thousands are being added each year with the growth of population and the extension of electric and gas services to rural areas. Although of much smaller volume than electric refrigerators, sales of gas refrigerators, starting with 5,000 in 1927, have more than doubled in each succeeding year.

Manufacture is only one side of the picture. In combination with distribution, it involves a purchasing, sales and payroll turnover of considerable importance, present and potential, to American business. Of equal importance is the cumulative increase in the consumption of electric power used for refrigeration. As early as February, 1929, an official of the Middle West Utilities Co. estimated that mechanical refrigerators in homes and small commercial establishments were using 1,200,000,000 kilowatt hours of electricity per year. More important, the same authority expressed the opinion that refrigeration offered the greatest field of potential development in use of electricity of any industry, with the possible exception of the railroads and the steel industry.

No great amount of imagination is required to visualize these possibilities. Human existence and the business founded upon it are no longer on a necessity basis. In the average family budget, ever rising standards of living give a larger and larger place to comforts, conveniences and luxuries. To the automobile, the radio and modern house-heating devices we quite naturally add the desire for a mechanical refrigerator.

The principles of mechanical refrigeration are comparatively simple. They offer no bar to any company which feels that it has the resources and equipment to carve out for itself a share of the business. For this reason we have the familiar spectacle of a boom demand in a new field enticing an increasing number of participants in the race for profits. The time will come, of course, when this tendency will be reversed, as it has been in the automobile and radio industries, as the demand is satisfied and competition increases.

Ignoring some of the smaller factors, the companies at present of most interest in the field of refrigeration include General Electric, General Motors, Westinghouse, Kelvinator, Servel, Borg-Warner, Grigsby-Grunow, Copeland Products and Bohn Refrigerator Co. With almost all companies, the trend of sales is upward but to investors the important question is: Which companies are most likely to maintain a leading position indefinitely?

Sale of Mechanical Refrigerators in the United States

Year		Number Sold	Retail Value	Number of Wired Homes
1923	....	15,000	$5,300,000	13,252,985
1924	....	17,500	6,175,000	14,532,930
1925	....	75,000	26,250,000	15,923,060
1926	....	248,000	65,200,000	16,359,279
1927	....	370,000	83,400,000	17,596,890
1928	....	488,000	133,700,000	19,012,664
1929	....	685,000	194,925,000	19,721,000
1930	(estimated)..	950,000	250,000,000	20,000,000

Avoiding Single-Base Companies

Obviously, only time and experience will answer this question with finality but some general considerations are worthy of attention. The companies herein named fall into two broad groups. In one group are Servel, Kelvinator, Copeland Products and Bohn Refrigerator. These are essentially refrigerator companies and their prosperity is dependent, either wholly or in important measure, upon the future of the refrigeration industry. Even if that is bright, as it appears to be, it will have eventual hazards and difficulties and these, it is logical to believe, probably will weigh most heavily on the single-base companies.

The other group consists of such leaders as General Electric, General Motors, Westinghouse, Borg-Warner and Grigsby-Grunow. With each of these, mechanical refrigeration, however important, is merely an added feature of diversification. With the last named, the base consists only of radio and refrigeration. In it and in the company's erratic earnings record there is little to appeal to the conservative investor.

Accordingly, the most likely candidates for investment and speculative participation in the future of refrigeration—and those appearing to offer the greatest margin of safety at present—are General Electric, General Motors, Westinghouse and Borg-Warner. As a group, these four unquestionably occupy the dominant sales position in the industry. This fact in itself is evidence of inherent advantages which are not likely to disappear under the stress of competition. Each of the four is well intrenched in its own field, strong in financial resources, technical equipment and research facilities and, above all, is well fortified with a broad diversification of products.

These are vital factors when considered in relation to the probability that eventual saturation of the market will make it difficult for some of the lesser companies to show satisfactory profits on the investment in fixed properties.

But while a saturation point within a comparatively limited number of years can be taken for granted in the sale of mechanical refrigerators for the home and for the smaller commercial establishments, it is worth bearing in mind that the possibilities of refrigeration do not end here. The word itself may prove to be a misnomer. The chief purpose of refrigeration as we know it today is the preservation of perishable goods. Even in this use there is vast room for expansion, notably in the various new methods of preparing foods for preservation, either in storage or transportation.

Beyond this, we have merely scratched the surface in harnessing the uses of refrigerating to human comfort. For years we have manufactured weather to the extent of heating homes and business establishments in winter. We are just beginning to take the opposite tack and manufacture the weather suitable to summer. In most of the larger motion picture theaters one buys not only entertainment but air of the proper cleanliness, humidity and temperature. The cost to the theatre is approximately 2 cents per seat.

Whether it be bitter cold or intensely hot outside, the floor of the New York Stock Exchange enjoys the comfort of artificial weather at all times. So does the office of President Hoover at the White House and part of the Capitol Building at Washington. By offering the inducement of cool comfort in summer, some of the department stores, including R. H. Macy & Co., are attracting added patronage. A limited number of offices are similarly equipped, at a cost estimated at 1 cent per man-hour.

Last May the Baltimore & Ohio Railroad added the innovation of an air-conditioned train between New York

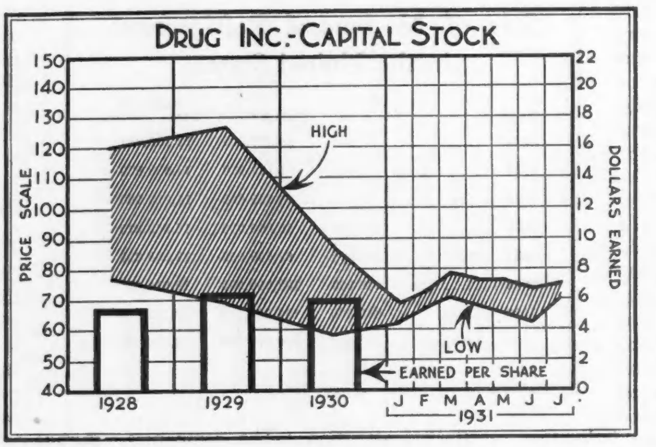
(Please turn to page 546)

DRUG, INC.

Earnings Resist Depression

Best Integrated Factor in Its Field Sets Fast Pace for Rivals

By J. C. Clifford



OPERATING a business which is essentially a product of modern civilization, Drug, Inc., has been remarkably successful in catering to the whims, comforts and minor ailments of today's hothouse existence. The company manufactures a long list of proprietary medicines and other things of a similar character, which have been nationally advertised for so long that their use has become almost an unconscious habit. It would be difficult to imagine parents in these synthetic days bringing up their children without the aid of something in the nature of Phillip's Milk of Magnesia or even Fletcher's Castoria for which babies are said to cry instead of indulging in the howls of rage and disgust which, in the past, always accompanied the taking of a dose of castor oil. Again, what would the tired office-worker do without Bayer's Aspirin or the householder without the Three-in-One oil with which to lubricate, clean and preserve the many little gadgets which are said to make life easier for him?

Nowadays should a man sense a cold he is not unlikely to turn to Vick's Vapo-Rub for assistance; should he desire a tooth paste "Ipana" may well be his choice, while for shaving many consider Ingram's Cream to be indispensable to the operation. Drug, Inc., controls the manufacture of all these and many other things including such well-known products as Sal Hepatica, California Syrup of Figs, Cascarets, Danderine and Mum, all of which have their much-advertised, more-or-less intimate functions which need not be detailed here. In addition, the company produces Diamond Dyes and Life Savers. The latter is a popular-priced confection which can be obtained in various flavors.

This long list of preparations, many of which are as well known abroad as they are in this country, is sufficient in itself to make the company responsible for them unique in the field. Drug, Inc., however, has even further claims to distinction, affording an excellent example of the advantages of horizontal integration, in addition to being the prosperous exception to the rule that one cannot hope successfully to wholesale and retail the same goods at the same time.

Expands Greatly

It is a holding company and, while in its present corporate form it dates only from early 1928, the businesses which comprised the merger at this time had been in existence for a number of years. The United Drug Co. was formed by Louis K. Liggett in 1902 for the purpose of manufacturing certain of the requirements of some 40 drug stores, the proprietors of which purchased stock in the company. From this comparatively small nucleus the business was steadily expanded, although the growth for the most part was in retailing rather than manufacturing. The wholly owned subsidiary, Louis K. Liggett Co., was formed and proceeded to open retail establishments in both this country and Canada; control of Boots Pure Drug Co., Ltd., of England was acquired, while the number of stockholder-agents which now operate the Rexall stores was steadily increased. The other concern taking part in the consolidation of 1928 to form the present Drug company was Sterling Products, Inc., which was originally founded in 1901. Sterling Products, was a manufacturing and wholesale distributing organization pure and simple, so that the merger did much to round out both businesses and has undoubtedly acted to their mutual advantage.

Since the formation of the present Drug, Inc., both retail and manufacturing activities have been expanded, although the latter field has received decidedly the greater emphasis. At the present time in addition to manufacturing the products already mentioned the company operates some 700 Liggett stores in the United States and Canada, possesses a 75% interest in the 900 or so Boots stores in England, while some 11,000 Rexall stores afford a further assured outlet for its preparations.

The present capitalization consists of 3,501,499 shares of no-par common stock. This number, however, may be increased at any time for it is hardly conceivable that the company proposes suddenly to forsake the policy of expansion which was so vigorously carried out during the years 1928 to 1930. Drug, Inc., itself has no outstanding funded debt, although that of subsidiaries totals slightly less than $43,000,000.

The company's extraordinarily efficient distribution system, coupled with great diversification of output and the goodwill which attaches to its products, to say nothing of the inherent nature of the business, has contributed to a stability of earning power which was never more marked than during the present depression. A comparison with the slump of 1920-1921 shows how the company has benefited materially from the carefully planned expansion and greater integration of its business. The old United Drug Co., which has already been shown to have been essentially a retailing organization, actually reported a deficit for 1921, following a number of years of successful operation. Sterling Products on the other hand was virtually unaffected at this time, which would indicate that the manufacturing side of the proprietary medicine business was less susceptible to general conditions than the retailing side. And yet, the two concerns having merged, one is surprised to discover that both businesses became virtually immune to the depression through which we are now passing. Earnings of Drug, Inc., for the year 1930 amounted to $6.03 a share on the number of shares outstanding at the end of the year, excluding an equity in the undistributed earnings of subsidiaries which was equal to about 32 cents a share. This, under the circumstances, makes a very favorable comparison with the $6.35 a share shown in 1929, even though undistributed equity earnings are estimated for this year to have been not less than 50 cents a share. For the present year no figures are available as the company issues no quarterly reports and that covering the first six months is not yet available. It is estimated, however, that earnings for the first half of 1931 will certainly not be less than the $3.01 a share reported for the corresponding period of 1930.

The company's total gross and net income has, of course, increased very rapidly due to its policy of continually acquiring other concerns by means of an exchange of stock. It is then rather futile to make comparisons of these items, for the per share earnings give a much truer picture and show that the company has pursued its expansion on a profitable basis, never having paid absurdly high prices for other properties which would result in dilution of the stockholders' equity.

Favored by Constant Demand

There is nothing complicated in the explanation of the earning stability of Drug, Inc., The nature of its products is such that the demand is naturally very constant. In addition, their great number makes the total demand even less liable to fluctuation. Furthermore, in the manufacturing side of the business a relatively small capital investment and working force make it possible to curtail operations quickly and drastically in order to meet changed conditions and this can be done with the assurance that no such demoralization of the organization will take place that the demand, when it again increases, cannot be met both quickly and efficiently. This is a tremendous advantage which can well be realized by contrasting Drug's fortunate situation with that of a copper mine for example which, once shut down, requires a great deal of money and many months of hard work before operations can again be commenced. Furthermore, the manufacturing divisions of Drug, Inc., are aided by the large retail organization which makes it possible to adjust production schedules very closely to actual consumer demand. This, coupled with the assured outlet for many of the company's products make the retail organization an indispensable adjunct of the business as a whole, although it is much less obviously successful than the manufacturing side. In fact, it was officially stated in 1929 that manufacturing contributed some 50% of the gross business and afforded about 80% of the net profit. Since this time a number of acquisitions have been made, those of a manufacturing character being by far the most important, so that it is reasonable to suppose that manufacturing now affords practically all the company's profits. Of course, it might be supposed that those in control could so arrange their billing as to divert large profits from the manufacturing to the retail division, except that much of the company's individually-branded line like Vick's Vapo-Rub, Life Savers and Three-in-One oil are also sold to independents and such a move would probably bring to the fore difficulties which have so far been avoided. In the retail division, Drug, Inc., has done everything possible to minimize the state of keen competition which obviously exists at the present time. Soda fountains, lunch counters and cigar stands are to be found in most of the stores and these have undoubtedly performed valuable service in the reduction of the high overhead expense, which appears to attend retailing everywhere.

The consolidated balance sheet of Drug, Inc., as of the end of 1930 revealed a strong financial position. Current assets totaled $60,359,000 of which amount nearly $24,000,000 consisted of cash or government securities. Current liabilities amounted to only $12,516,000, giving a net working capital of nearly $48,000,000. Among other assets shown in the balance sheet were land, buildings, leaseholds, etc., valued at $30,795,748, after a depreciation reserve of $14,517,062; inventories valued at slightly more than $26,000,000; and good will and trademarks at slightly more than $42,000,000. It will be noticed that the intangible items are carried on the books at a greater value than fixed assets and at first sight this might appear to be somewhat excessive. The nature of Drug's business, however, is very similar to that of the cigarette companies where good will built up by years of expensive advertising is the life-blood of their tremendous sales and profits. This being the case and in view of the fact that the company is succeeding in earning a very satisfactory percentage on such a valuation it would appear that the intangibles are not in fact over-stated. The other interesting item

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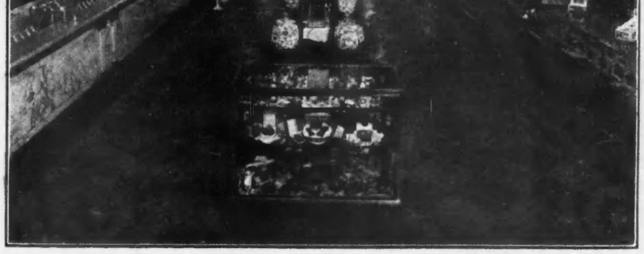

Interior of One of Liggett's New York Stores

Market Indicators

For Profit

Monsanto Chemical

Any company which succeeded in earning more during the first six months of the present year than was earned in the corresponding period of 1930 is worthy of at least passing notice, but when the common stock of the same company can register a new high for the year during the week of the disappointing "Steel" report it becomes the striking exception to the general rule. For the six months ended June 30, 1931 Monsanto Chemical Works earned an amount equivalent to $1.56 per common share as against $1.52 for the same period in 1930. The company's business has not been hit unnaturally by the current general depression, but this was more than offset by internal economies and the excellent reception given to several new products which were manufactured in this country for the first time. Selling around $28 a share and earning an excellent margin over regular dividend requirements of $1.25 the common stock of this company appears to be a not unreasonably priced speculation at the present time.

* * *

Chains Do Well

A number of chain stores reporting for the first six months of the present year have shown surprisingly good results. Kroger Grocery, for example, reported $1.25 a share against but $0.12 last year, J. C. Penney $1.46 against $1.17, Peoples Drug Stores $1.37 against $1.17, while Safeway, now the second largest grocery chain in the country, is expected to show around $2 a share for the second quarter, which would make a very favorable comparison with the 60 cents reported for the previous three months. These results have, of course, been reflected in the market price of chain store stocks and many of them are selling currently not far from their highs for the year. Should they react, however, in sympathy with the general market or any outside events which might possibly take place during the coming months many of them would undoubtedly be attractive purchases. For the more conservative, First National Stores and Woolworth might well be watched while for those desiring a more speculative commitment there is a wealth of material in which might be included such issues as Kroger, Jewel Tea, and Grand Union.

* * *

Stability in a Common Stock

General Foods Corp. for the second quarter of the present year earned an amount equal to 87 cents per share of common stock, which compares with 88 cents for the corresponding period of 1930. For the first six months of 1931 and 1930 earnings equalled $1.93 and $2.01, respectively. The small difference in view of the generally depressed conditions prevailing in almost every industry affords ample confirmation of the inherent stability of the company's business and is a tribute to the manner in which the management has succeeded in minimizing the effects of adversity. The Birdseye quick freezing process, in which General Foods holds a 51% interest, is a commercial certainty and the company is rapidly expanding its outlets for perishables treated by this method. It now has 65 of these outlets and many more are planned. Great things are expected of the Birdseye process, it having been pointed out only the other day that between 16 and 17 billion dollars worth of perishable foodstuffs are consumed in this country annually and that the present distribution methods are ruinous, resulting in an annual loss of some $500,000,000. Any material reduction in this terrific wastage will naturally be very profitable for the company achieving it and General Foods is not unlikely to be the fortunate concern. At present levels of $48 a share for the common stock of this company such a speculative attraction virtually appears to be thrown in free, for the issue is selling little if any above the price warranted by its old, well-tried stable business.

* * *

What Is "Steel" Worth Now?

The second quarter report of the U. S. Steel Corp., showing earnings of but 12 cents a common share of which only about 30% was derived from operations, provided quite a shock to the financial community despite the well-engineered warnings given beforehand. The stock declined sharply on the news and the question now uppermost in the minds of investors is to what extent must it fall before it becomes an attractive purchase. At present levels the issue is undoubtedly underpriced on its asset value and is just as surely overpriced on its present earning power. It also does not appear particularly cheap at the present time on what might conservatively be considered normal earning power, because allowance must be made for the wide fluctuations inherent in the business. Taking into consideration these factors and also that there is much evidence to show that steel, like copper, is one of the last industries to turn upward in the business cycle, there is reason to believe that the common stock of United States Steel Corp. will have to decline considerably further, or at least that a number of months will have to elapse, before it can be said to be definitely on the bargain counter.

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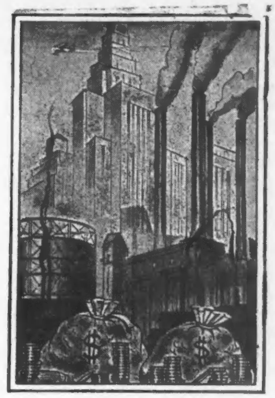
Alleghany Bonds

A number of the many investors interested in the various bond issues of the Alleghany Corp., are undoubtedly wondering why the price has declined so far below par when the indenture under which they were issued specifically demands that the collateral behind them must have an



The Stockholder and Income

aggregate value of at least 150% of the par value of the debentures and that in the case of a deficiency it must be made up within 30 days. The reason is to be found in yet another provision which states that if such a deficiency is not made up then the corporation may not pay dividends on any class of stock. Now, while a considerable amount of additional collateral was deposited, it was apparently impossible to carry on the process indefinitely so the corporation by the simple expedient of passing the dividend on the preferred relieved itself of the burden. The present situation from the bondholders' standpoint is that the trustee will continue to hold all the collateral already deposited and will apply the income from it for the benefit of the bondholders until the security behind their holdings again becomes 150% of the debentures' par value.

* * *

The Electrical Equipments

The second quarter of the present year was a better period for the electrical equipments than the first three months. For the June quarter Westinghouse reported net profit of $927,000 which compares with a net loss but slightly under $3,000,000 for the preceding quarter. In the case of General Electric the improvement was not so obvious, net income being 37 cents and 38 cents per common share, respectively. It was noticed, however, in this case, that orders received in the June quarter totaled about $81,000,000 against $60,000,000 for the three months ended March 31. This would indicate either that the company arbitrarily made greater charge-offs against its gross revenues in the later period, or that prices were being cut in order to obtain business. Making the reasonable assumption that both causes were to blame in some degree for the discrepancy between orders and profits it is clear that the second period was really an improvement over the first. For the entire year 1931 it is estimated that General Electric can barely earn the dividend of $1.60 on its common stock, while Westinghouse will almost certainly fall far short of the $4 a share required. From this it follows that while the General Electric dividend may be considered safe indefinitely, the Westinghouse problem is still a very real one despite the cut made in comparatively recent days. In fact, unless fall business improves to an unexpectedly great extent, another and sharper reduction in the company's rate of disbursement probably will take place. Nothwithstanding the rather obscure near-term outlook for all the electrical equipments, however, they will undoubtedly in time again become one of the most profitable branches of industry so, that while new purchases cannot conservatively be recommended at this time, they appear to be among the present holdings which it would be foolish to sacrifice unless such a course is made absolutely necessary by outside circumstances.

* * *

Selling Everything

There is a report current that Sears, Roebuck is to open shortly a combination gasoline, service station and tire store and will probably sell its own brand of fuel and oil. Without quarreling with this specific development, it is apparent that modern retailing becomes more complicated every day. The argument for dealing in everything from cabbages to kings appears to run more or less along these lines. Mail order houses sell tires; oil companies sell gasoline and oil. Then should the oil companies decide to sell tires, the mail order houses feel in duty bound to sell oil in order to protect the outlet for *their* tires. This can be carried to almost any lengths and it may well be that the next step of the oil companies will be to give their customers the advantage of ordering tires by mail and from this to a mail order business in automobile accessories and from here to a complete mail order business is not an inconceivable exaggeration. We already have drug stores selling almost everything imaginable. It sometimes appears that the great diversification of products now carried by a retailer is not an unmixed blessing, for how shall he know his wares or the market in which he buys them? The many holders of securities in retailing organizations may well question whether the movement is in the interest of efficiency and what its effect might be upon their own holdings.

* * *

Two Medium Grade Bonds

The Virginia Public Service Co. has outstanding two bond issues which may be considered attractive for those who desire a medium grade investment. They are the first and refunding 5½s series A of 1946 and the first and refunding 5s series B of 1950. Both series are listed on the New York Curb Exchange, the former currently selling around 96 and the latter around 90, the yield to maturity in both cases being slightly under 6%. Virginia Public Service Co. is controlled through a number of intermediate companies by the Insull interests and serves a population of about 250,000 in Virginia and West Virginia. The greater part of the company's revenues is derived from the sale of electricity, although it also provides gas and ice service in various localities, while additional income is derived from the sale of appliances. Earnings for the year 1930 were equivalent to slightly better than twice interest requirements on the total funded debt of the company. Net income has trended steadily upward since 1927, not solely due to increased business, for greater internal efficiency has also been an important factor.

READERS' FORUM

Personal Investment Talk No. 9

Profiting By the Market's Technical Condition

Chart Reading Has Advantages But Is a Difficult Art

By JOHN DURAND

THERE is a school of traders—variously known as "Tape Readers," "Chart Students," or "Technicians"—which holds that market movements can be predicted from transactions reported on the tape, without assistance from financial reports, business statistics, or news. To some extent this is true, especially when stocks are being manipulated by strong pools; but the method calls for such expert knowledge that a novice should supplement his readings of the technical position with close attention to every relevant bit of outside information. For present purposes we shall therefore define Chart Reading as an interpretation of price movements with the aid of news developments and the volume of transactions. Just at present we shall limit the discussion to individual stocks; for the general market usually conforms closely to movements in a few prominent leaders, of which U. S. Steel may be taken as an example.

We find that the theory of chart reading naturally divides itself into three sections: an analysis of price movements, the meaning of volumes, and interpretation of news.

Constructing the Chart

Every chart addict learns sooner or later to work out a number of special rules for the interpretation of price movements irrespective of volumes and news. Many of these private rules are held closely guarded as trade secrets, and so cannot be described here; though we shall mention a few which are more or less common property, after outlining a method of drawing the charts.

A separate chart should be kept for each stock in which the trader is, or may become, interested. The number of charts to be kept will depend much upon the amount of leisure time a person has at his disposal; but there should always be at least one chart devoted to U. S. Steel. Charts should be drawn on ordinary cross-section paper, and the price scale at the side, and time scale at the bottom, should be uniform for all stocks. The time interval selected as a unit for the time scale may be an hour, a day, week, month, or year, according to the amount of detail desired and the size of swing which the trader wishes to follow. It may be found helpful to keep four regular charts of U. S. Steel—showing, respectively, its daily, weekly, monthly, and yearly price movements. The yearly and monthly charts extend back to 1901, the year when that company was incorporated. Price movements should be indicated by a vertical straight line extending between the high and low point for the time interval chosen as a unit, with a dot or hyphen between to indicate the closing price. Total volume of sales during the unit time interval is indicated by a vertical straight line drawn upward from the bottom of the chart. The volume scale will vary with each individual stock and should be chosen as follows: select the heaviest volume of transactions during any unit interval of time as the highest point on your volume scale, and then divide this into ten equal parts. Each of these ten parts will be your unit of volume. For instance: if the highest volume in Steel observed on any day for some time was 500,000 shares, then one-tenth of this—namely, 50,000 shares—would be your volume unit for a daily chart of Steel. Two of these are illustrated in the accompanying chart.

Before leaving this phase of the subject there are two observations to be derived from the price movement by itself which are illustrated on the accompanying chart:

(1) When, after a prolonged rise, the price closes at least half way below the mid-point of the day's range, a downward movement of considerable size may be expected. (Cf. Graph 1,—August 24 and September 3.) The opposite indication is shown on Graph 1—August 29.

(2) A sharp decline, following a sharp rise will usually be followed next day by a good recovery (Graph 2—June 9 and 10), and *vice versa.*

The News As a Guide

The technical strength or weakness of the market's internal structure may be gauged by its response to external influences. These fall under the general headings of news, credit conditions, and the psychological effect of price movements in related stocks and in the general price level. For simplicity, we shall include all three of these external influences under the single caption, "News."

When analyzing the news one should consider whether

it is discountable or undiscountable; definite or indefinite; good, bad, or indifferent. Undiscountable news is news which the insiders could not have prepared for knowingly, and so falls ordinarily under the category of accidents—such as court decisions, deaths of prominent persons, and what are legally known as, "Acts of God." The market almost never stages a move of any considerable magnitude in response to undiscountable news until insiders have had time to adjust their position to the new outlook. If discountable news is definite in character, its influence upon prices usually lasts for only a few days; but, if indefinite, prices will run nervously up and down until the uncertainty is definitely cleared up.

The following observations as to the effect of good and bad news are of incalculable value:

(1) A market which merely becomes dull, but does not decline much, on bad news is in strong internal condition and will probably develop an extensive upward swing. When prices rise quickly on bad news it indicates an over-extended and uneasy short interest, along with a strong internal condition. After the more timid bears have covered there will probably be a slow, sagging reaction, with diminishing volume—though not to former lows—followed by advancing prices on larger volume.

(2) A market that will not go up on good news is in a fundamentally weak condition. Should prices break on good news, and not snap back quickly, the prognosis would be even more grave; for this would indicate that inside distribution had reached an advanced stage and that the market was vulnerable.

Both of the foregoing observations may be summed up in the one general rule that any extensive price movement (up or down) which has taken place under the stimulus of a rumored or anticipated development will experience a reversal of greater or less magnitude when the news is definitely announced. Ordinarily, however, such a reaction or rally will not retrace more than a third to two-thirds of the main swing, and will prove to be short-lived. It is never safe, though, to draw conlusions from such technical reactions and rallies without studying the accompanying volume of transactions.

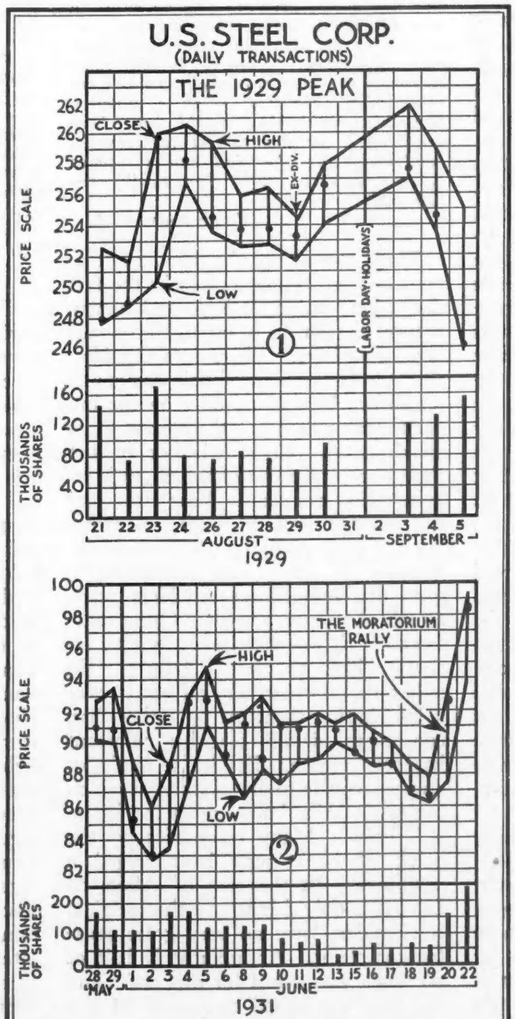
In reading what follows it will help to understand the principles involved if constant reference is made to the accompanying graphs.

Since a pool usually swings a large line of stock it must buy when offerings are large and sell when the outside demand is broad and insistent. Recalling that the public sells on dips and bad news and buys on good news and sharp run-ups, this means that we usually find strong buying (i. e., inside and pool buying) on dips and unfavorable news, and "good" selling on bulges and good news.

And so, while the pool is accumulating its line, prices on the chart will be confined within a comparatively narrow trading zone, with volumes growing less and less on each successive dip. Finally there may come a small dip on bad news, with unusually small volume and the low above a previous low price in that zone. This would indicate that the public's holdings had nearly all been sold to insiders—otherwise, the bad news would have caused an outpouring of stock and produced a larger decline in prices.

Inside distribution is usually indicated by exactly the reverse behavior, and volumes grow smaller on each successive rally. Unlike accumulation, however, the stock may make new tops as the volume dwindles, especially if no conspicuously unfavorable news comes out during the process of distribution.

Of course the clinching proof of either distribution or accumulation is a reverse movement on increased volume. This term, "Reverse Movement," should be noted carefully, for there are occasions when the final top of a distributive movement, or the final drive of an accumulative period, may be accompanied by an increased volume, and this deceives many people into believing that the old trend is about to be resumed. Resting zones have to be distinguished very carefully from zones of accumulation or distribution. Sufficient practice at chart reading will enable an expert to make this distinction correctly; but it is not always easy, and for this reason many traders prefer to withhold new commitments until the price breaks through into new ground. Even this precaution, however, does not always save one from errors in judgment. It should help a good deal to remember that inside accumulation seldom takes place after a sharp rise in prices, and that distribution seldom goes on near the bottom of a long decline. Occasionally, however, when the movement is unusually prolonged, one pool may accumulate stock which another distributes. This was a rather frequent occurrence during the great bull market of 1928 and 1929, and it sometimes deceived even veteran chart readers.



The foregoing principles are well illustrated in the accompanying chart. In Graph (1) is depicted the culmination of the greatest bull market in history, while in Graph (2) we present a record of what may prove to have been the bottom of the greatest bear market in history.

The writer does not happen to recall the precise nature of news announcements which accompanied the trading shown in (*Please turn to page 554*)

Can Dividends Be Rescinded?

Answering Some Questions as to Sound and Proper Corporate Policy

Editor, Readers' Forum:

I read with surprise a recent announcement that the directors of a certain company, after voting four quarterly stock dividends early in the year and distributing the first one when due, had rescinded the remaining three. This announcement was accompanied by sharp decline in the company's stock. That dividends can apparently be declared but not paid seems to me wholly unjustifiable and improper, encouraging unsound dividend policy and opening an obvious door to possible stock manipulation. Should not this sort of thing be illegal?

Sincerely yours, T. R. K.

Your criticism is correct in the abstract but requires certain important qualifications. It would be unthinkable for the directors of a corporation to have the legal right to play fast and loose with dividends and the possession of such a right undoubtedly would lead to speculative abuses in many instances. It is for this very reason, however, that there are laws upon the subject. Whether payable in cash or in stock, the law holds that dividends, once declared, become the property of the stockholders—provided such dividends have been legally declared and are lawfully payable. It is undoubtedly this provision which enabled the company you refer to to rescind its dividend action legally. Instances of this kind are so rare that we encounter no difficulty in identifying the company. If you will investigate you will find that it also omitted the dividend due July 1 on its cumulative preferred stock and that dividends on the common stock, either in cash or stock, can no longer be paid legally until arrears on the preferred have been made up. In addition, the balance sheet may reveal that omission of dividends was dictated by the necessity of conserving cash. As a general rule, the declaration of dividends for a year in advance is bad corporate policy because it involves inevitable hazards. It is often impossible to foresee the trend of earnings that far ahead. Even where such an advance declaration can be paid legally, the distribution obviously might be determined by a desire to fulfill a promise, however unwisely made, rather than by the actual condition and prospect of the company. The ultimate interest of stockholders is best served by a policy of adjusting dividends with reasonable promptness to existing circumstances.

Why Stay in Business?

Editor, Readers' Forum:

One of the difficulties of our present situation, which is one of overproduction and excessive capacity to produce, is that so many marginal producers appear determined to stick in the game until the last dollar of resources is gone. The thought occurs to me upon reading that the Ahumada Lead Company has decided to suspend operations and go out of business. This action was taken only after considerable money had been spent in an effort to open up "additional unexplored areas," according to the statement of the president, and only when, according to the same authority, the finances of the company were "practically exhausted." In a situation like this stockholders would have been better off if the management had seen the handwriting on the wall and suspended before resources were "practically exhausted."

Yours truly, D. L.

There is undoubtedly some merit in your criticism but it overlooks the fact that where economic logic and human nature conflict it is usually economic logic that loses. There is a considerable number of unprofitable companies which are kept going only by the understandable desire of the officers to go on drawing salaries, whether or not there are profits out of which such remuneration can come. Year after year the managements of such companies put out pathetically hopeful statements, grasping at straws and attempting to give disappointed shareholders some crumb of encouragement. Quite aside from selfish interests, no corporate executive likes to confess failure. He is like the investor who refuses to take a loss, letting it mount up rather than confess to himself that his judgment has been wrong. Besides, it is almost always possible to find a straw at which to grasp. Who knows what the future will hold? Many companies on the brink of bankruptcy have staged a comeback. In the case of Ahumada Lead it is only fair to say that original stockholders have no very great cause for complaint. Approximately half of the stock was issued for properties and the rest was issued at par of $1 per share. During its career Ahumada Lead returned substantially more than $1 a share in dividends and during the greater part of that career the stock could have been sold for anywhere from two to twelve times the original cost.

What of Concealed Losses?

Editor, Readers' Forum:

During the late lamented bull market it seemed an easy trick to explain almost any fantastic stock quotation on the basis of "concealed earnings." Not a few people bought these "concealed earnings" and are now wondering what happened to them. No doubt the practice was given exaggerated emphasis in the balmy days when speculators made the most of every rumor. From some of the recent corporate reports one is led to wonder whether accounting practice does not now lean toward concealed losses! Certainly in the existing situation some companies must face the temptation to issue reports which are not quite frank, to say the least. What is your opinion as to the general effect of the depression upon this phase of corporate policy?

Sincerely yours, W. K. G.

The issuance by corporations of periodic earnings statements and balance sheets which frankly and fully give the shareholder all of the information he can reasonably desire has been a matter of slow evolution. Although a great deal has been accomplished in this direction in recent years, much still remains to be done. Human nature being what it is, one management will deal more honestly with its stockholders than another. Many of the leading companies, notably United States Steel, have set a high standard in this regard. With certain other companies the trend toward higher standards has not been voluntary. The New York Stock Exchange has been working on the problem for years, tightening up its listing requirements and otherwise applying pressure to induce companies to make available at regular intervals, and in the proper form, the information regarding earnings and financial position to which stockholders are entitled. The institution's efforts along this line have been intensified in recent months, due to the fact that some companies have regarded depressed earnings as excuse for delay-

ing issuance of reports or for issuing misleading reports. Under the urging of the Exchange, accounting practices have gradually become more uniform and the majority of companies willingly subscribe to the view of the Exchange that corporate reports should be attested by independent auditors. In a few recent instances earnings reports are said to have been "padded" in one way or another. One practice complained of is the lumping of extraordinary or non-recurring income with regular income in a manner likely to mislead the stockholders as to true earning power. Against such practices the Exchange has issued a specific warning. Statements which do not meet with its requirements will be brought to the attention of the issuing management for correction. The ultimate possible penalty is removal of the stock from the list. Before taking such drastic action, however, the Exchange would make the matter public, thus giving shareholders an opportunity to bring pressure to bear upon the management or to change it. It can be taken for granted that in attempting to evade the rules of the Exchange few managements will be willing to let matters go so far. This, of course, is only one part of the picture, for hundreds of stocks are listed upon exchanges whose requirements are less rigid than those of the Big Board and other hundreds are unlisted. Thousands of shareholders, therefore, can only depend upon the good intentions of their managements. While an important loss of earning power cannot be indefinitely concealed, the unfortunate thing is that in some extreme cases the damage is done before stockholders know anything about it.

Floor Trading for the Public

Editor, Readers' Forum:

I have been particularly interested in recent discussion of various phases of stock market practice appearing in the Readers' Forum. Now here is a new wrinkle—at least new to me—offered in an advertisement appearing in a reputable newspaper. It is proposed to establish a firm, funds for which are solicited, for direct cash trading on the floor of the Stock Exchange, thus eliminating commissions. As I see it, this amounts to employing your own floor trader and placing a discretionary account under his absolute control. In principle, this is not much different from letting an investment trust handle one's money for many of these are essentially blind pools. What do you think about it?

Very truly yours, R. W. S.

It is to be doubted that any such plan could ever obtain the sanction of the New York Stock Exchange, whose sole purpose is to provide a free and open market for all buyers and sellers of securities and which has no desire to put itself in the position of encouraging hazardous speculation by small traders. Investment trusts do not go in for hour-to-hour trading, which is hazardous in extreme degree. The success of the scheme you mention would depend entirely on the speculative abilities of the floor trader who directed it. The personal requirements of the successful floor trader are rigid and numerous. One who possesses them, as well as the capital with which to purchase an Exchange membership and additional capital with which to operate, would seem to be in no need to work for others. Some commission brokers are in the habit of handling discretionary accounts but the policy is accompanied by many disadvantages. Advice is worth while but the speculator will usually do best to make his own decisions and frankly accept the responsibility for them, having only himself to blame in the very probable event of loss.

How Leverage Works

Editor, Readers' Forum:

In going over an analysis of the position and prospects of a certain common stock not long ago I noted the assertion that this security possessed the quality of "leverage," the contention being that this circumstance would prove of decided advantage to the investor in the next period of advancing prices in the stock market. If that is the case I would like to know just how the process works. Also, what happens to it in a declining market?

Very truly yours. D. A. J.

The quality of leverage is very easily understood, even though the term is not subject to explanation in a few simple words. Leverage is present, for example, in a common stock before which senior securities have a prior claim upon assets and earnings. It therefore is a quality of many stocks. The further the common stock equity lies away from the underlying property, the greater is the range of leverage, both up and down. This accounts for the wide fluctuations of some of the public utility holding company stocks, the balance of earnings applicable to the common stock being dependent always upon the prior rights of bonds and preferred stocks, including those of subsidiary companies. To cite an easy example, suppose that a given corporation's capitalization consists of a bond issue, an issue of preferred stock and an issue of common stock. It requires, let us say, $1,000,000 annually to meet bond interest and preferred dividends. If the company earns merely this amount there is no profit available for the common stock. If it earns $2,000,000, there is $1,000,000 for the com-

(Please turn to page 554)

Industry Looks To Start Of Seasonal Gains

AUTOMOBILES

What is to Follow Seasonal Dullness?

THE automobile industry has settled down to its usual summer sleep and there are indications that this year's slumbers are to be somewhat deeper than usual. Official production for June totaled 249,462 units, thereby bringing output for the first half of the year to 1,568,478 vehicles which compares with slightly less than 2,200,000 for the corresponding period of 1930. For July production is estimated to have been some 210,000 units and it is thought that the present month will also come close to this figure. Guesses, however, at this time are hazardous for production is highly irregular due to the shut-downs which take place during these two months. In regard to

(Please turn to page 555)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1931 High	1931 Low	Last*
Steel (1)	$0.02⅜	$0.02⅛	$0.02⅛
Steel (2)	0.01¾	0.01⅝	0.01⅝
Pig Iron (3)....	17.00	15.50	15.75
Copper (4)	0.10⅛	0.07⅛	0.07¾
Lead (5)	0.05⅛	0.03¾	0.04⅜
Petroleum (6)...	0.81	0.14	0.34
Coal (7).........	1.60	1.40	1.45
Cotton (8)	0.11⅛	0.08	0.08
Wheat (9)	0.79	0.39¾	0.43
Corn (10)	0.68⅛	0.51¾	0.60
Hogs (11)	23.00	13.00	20.00
Steers (12)	17.00	11.00	14.00
Coffee (13)	0.10	0.08⅛	0.08⅞
Rubber (14)	0.08⅝	0.05¾	0.05¾
Wool (15)	0.72	0.60	0.62½
Sugar (16)	0.03⅛	0.03⅛	0.03⅛
Paper (17)	62.00	57.00	57.00
Lumber (18) ...	17.67	14.20	16.25

* August 3, 1931.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, $ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. $ per bbl. (7) Pitts., steam mine run, $ per ton. (8) Middling (valv.) cents per lb. (9) No. 2, Hard, Winter (Kan. City) $ per bu. (10) No. 3, Yellow (Chic.), $ per bu. (11) Fresh loins, 10-12 lb. (N. Y.) $ per 100 lb. (12) 550-700 lb. (N. Y.) $ per lb. (13) Santos, No. 4 (N. Y.) c. per lb. (14) Smoked Sheets (N. Y.), cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), $ per ton. (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Ingot production for the country as a whole has registered a rather curious and unseasonal gain over the past week. Operations are now at the rate of about 32% against 30% a few days ago. It is doubtful, however, whether the increased activity can be maintained during the immediate future, for many automobile companies have announced shut-downs or drastically revised their production schedules downward, while the news from the tin plate manufacturers is also disappointing. In fact, despite the somewhat better prices now prevailing, the outlook for the industry continues obscure with only the most optimistic predicting more than a very moderate upturn in the fall.

PETROLEUM—The East Texas field continues to cause much of the surface trouble in the industry. Here, production steadily achieves new high records, whereas the rest of the country has been more or less successful in its efforts toward curtailment. At the present time, the industry's immediate attention is taken with the situation in Oklahoma, where the governor has stated that unless dollar oil arrives very shortly he will close every flush field in the State. Such an action, it is thought, would result in considerable psychological improvement.

COPPER—The price of copper is again in the depths with one custom smelter quoting 7⅝ cents a pound, a new low record. Primary producers still quote 8 cents a pound and the official export price remains 8.25 cents c.i.f. principal European ports, but it is doubtful, in view of the latest development, if these quotations can be maintained.

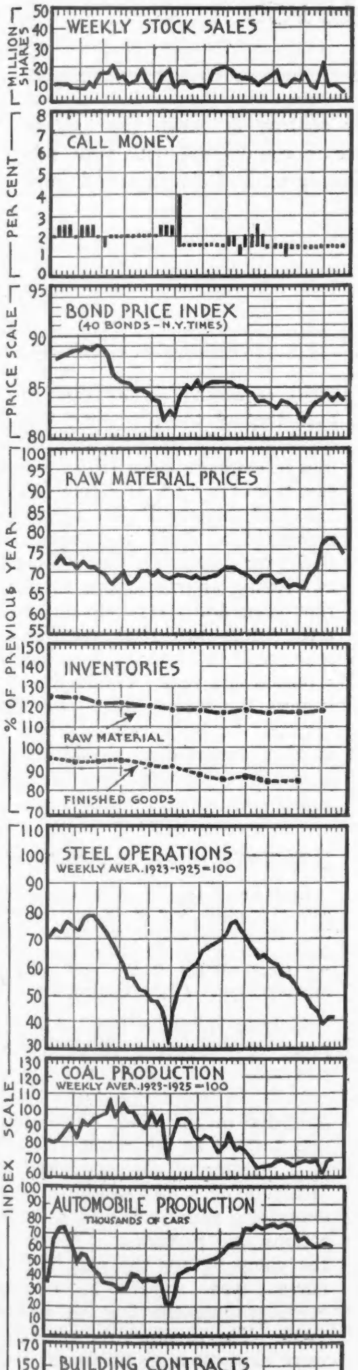
RAILROADS—The carriers continue to feel the general depression in no uncertain manner. There is, of course, their petition for a blanket increase of 15% in freight rates, but this will not be definitely settled for some time. In the meantime every effort is being made to effect economies and a number of roads have announced salary reductions. Basic wage rates, however, are still being maintained both in deference to the Administration in Washington and also because any change would be bitterly resisted by the unions. Despite this, it cannot be said, in view of the vicious assaults being made upon them, that the future of wages is other than problementical.

CHEMICALS—The demand for heavy chemicals is much as might be expected at this time. Certain seasonal products are doing fairly well, but buyers in all cases are limiting their orders to actual requirements. The fall, of course, will register some improvement, for not only is general business activity likely to increase but it is the time when certain goods are contracted for in quantities. It is felt, however, that the large stocks in many lines preclude the possibility of phenomenal betterment.

TEXTILES—The feature of the textile markets in general over the last few days has been the ease in prices. Cotton, silk and wool have all moved lower and, partly due to this and partly due to sympathy with the stock market reaction and disappointing general conditions, the old fears have broken out afresh. The industry has also had a number of strikes to contend with and it is thought that even further labor troubles are in prospect.

The Magazine of Wall Street's Indicators

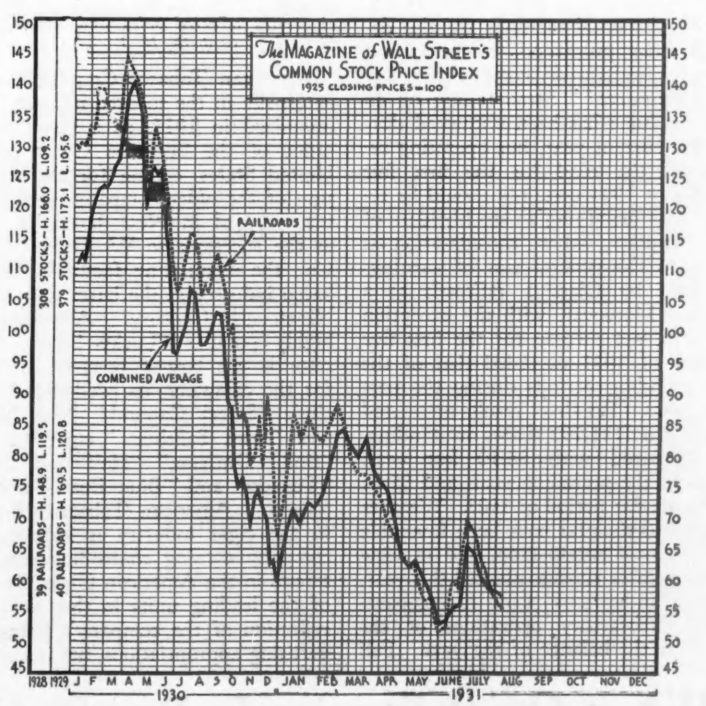
Business Indexes



Common Stock Price Index

1930 Indexes Close	High	Low	Number of Issues	Group	1931 Indexes High	Low	July 25	Aug. 1
62.2	140.7	59.9	405	COMBINED AVERAGE	84.4	52.3	58.2	57.4
112.0	405.5	105.7	5	Agricultural Implements	142.4	58.5	67.3	58.5*
88.5	272.0	85.6	8	Amusement	121.2	62.0	70.1	70.2
47.8	118.1	46.2	22	Automobile Accessories	76.9	43.2	48.3	49.0
25.5	78.4	24.5	20	Automobiles	37.0	19.9	21.2	21.0
39.9	153.1	35.4	4	Aviation (1927 Cl.—100)	74.2	39.9	50.7	50.6
23.2	74.2	23.8	3	Baking (1926 Cl.—100)	38.4	20.5	21.7	20.6
185.5	248.1	179.6	2	Biscuit	212.8	162.2	168.7	169.2
128.6	262.7	123.5	5	Business Machines	162.2	95.6	109.2	104.7
157.0	226.0	151.8	2	Cans	188.5	142.6	148.9	143.0
126.0	248.5	124.3	8	Chemicals & Dyes	157.8	96.2	110.6	110.2
35.4	107.9	34.4	3	Coal	71.8	35.4	40.7	39.5
48.3	121.8	46.2	22	Construction & Bldg. Mat.....	73.7	37.5	43.0	42.2
70.4	211.7	67.0	12	Copper	92.4	49.5	62.4	60.6
83.0	125.1	80.7	2	Dairy Products	98.0	66.3	70.6	70.7
21.5	51.6	20.4	9	Department Stores	30.2	20.2	24.1	24.4
83.0	142.0	79.4	8	Drugs & Toilet Articles......	120.4	81.0	86.7	84.5
115.8	239.1	114.9	8	Electric Apparatus	149.3	91.5	101.3	95.5
14.8	54.4	13.7	4	Fertilizers	21.5	10.6	12.5	11.3
77.6	148.4	68.5	2	Finance Companies	91.3	63.4	64.3	65.2
64.4	93.5	62.1	7	Food Brands	80.1	64.2	67.0	67.0
50.3	124.6	50.0	4	Food Stores	83.0	50.3	71.1	72.8
31.6	119.2	30.1	4	Furniture & Floor Covering...	51.7	31.6	39.4	40.8
29.9	92.5	28.6	7	Household Equipment	45.5	29.9	32.0	32.9
61.0	184.9	58.9	10	Investment Trusts	89.5	49.4	54.6	54.6
52.3	170.0	51.5	8	Mail Order	96.3	52.3	74.2	74.1
52.4	142.5	50.9	39	Petroleum & Natural Gas....	69.2	37.6	42.8	42.4
37.2	175.2	36.8	8	Phono. & Radio (1927—100)..	68.8	33.2	36.1	34.9
150.4	305.0	141.1	20	Public Utilities	196.8	132.5	142.7	142.5
57.8	115.4	55.5	10	Railroad Equipment	73.1	41.1	46.6	45.3
69.8	144.5	67.1	33	Railroads	88.4	51.3	57.0	55.2
81.9	153.1	78.9	3	Restaurants	100.7	70.0	75.8	70.0*
28.9	88.8	28.9	5	Shipping	38.0	16.8	19.1	19.7
160.4	246.5	150.8	2	Soft Drinks (1926—100)	188.4	152.4	167.1	165.2
63.5	146.5	61.4	13	Steel & Iron	92.3	50.2	57.9	53.3
12.9	45.1	12.2	6	Sugar	18.9	10.6	16.8	16.0
170.3	268.7	163.0	2	Sulphur	218.0	131.0	139.0	137.2
97.4	177.2	92.6	3	Telephone & Telegraph.......	132.4	94.2	107.7	102.7
23.7	70.5	21.1	6	Textiles	46.0	23.7	27.5	30.4
10.9	39.0	10.9	7	Tires & Rubber	15.8	8.6	10.2	10.7
59.2	107.3	57.5	9	Tobacco	78.6	59.3	73.7	72.0
67.2	103.5	63.2	5	Traction	86.1	62.1	65.2	62.5
68.5	88.7	66.5	2	Variety Stores	79.6	68.5	75.2	77.2

* New low record since 1928.



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

Our Personal Service Department is prepared to offer advice on any security in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Be brief.
2. Confine your requests to *three securities only.*
3. Write name and address plainly.

Special rates upon request to those requiring additional service.

BANGOR & AROOSTOOK R. R.

In 1921 on the advice of a broker I bought 100 shares of Bangor & Aroostook at 85. It seems that everything I read is favorable and yet the stock does not seem to advance very much. Just lately I read where earnings are excellent and the potato crop to be moved is extremely big, but even on this news the stock does not advance. What is the trouble? Would you advise me to sell?—H. P. E., Arlington, Mass.

Bangor & Aroostook R. R. Co., commonly referred to as "The Potato Railroad," operates 600 miles of track, 260 miles of which, extending from Searsport to Van Buren, Me., constitutes the main line. Although potatoes rank as the road's largest single revenue producer, substantial earnings are also derived from pulpwood, manufactured goods, miscellaneous commodities and bituminous coal. Some falling off in traffic volume has been witnessed during the current year, but operating results of the road for the first five months of 1931 certainly should be regarded as gratifying to stockholders of the company, when consideration is given to the general run of earnings reported by Class 1 railroads as a whole. Moreover, with the exception of 1930, net income for the first five months of 1931 exceeded that of the corresponding periods during the past four years. Per share results amounted to $5.84 on 141,792 shares outstanding, as compared with $8.50 last year, $5.34 in the preceding year, and $5.14 in the similar period of 1928. Weather conditions thus far have been favorable for the new potato crop, and in view of the greater acreage planted this year, present indications point to comparatively satisfactory operations of the road for the balance of the year. Full 1931 results should exceed twice the common dividend rate of $3.50 a share, which compares with net income of $9.26 a share reported for the calendar year of 1930. The road occupies a strategic position from a consolidation standpoint, and in view of the sustained earnings, we see no reason for disturbing your present holdings.

AMERICAN TOBACCO CO.

I have a nice profit on 300 shares of American Tobacco "B." Would you advise me to take my profit now or do you think the company will continue its present growth? How has the increased price of cigarettes affected sales and earnings?—S. C. L., Elizabeth, N. J.

American Tobacco Co., the leading enterprise in the tobacco industry, was organized in 1911, as a result of an order of the Supreme Court of the United States, calling for the dissolution of the older company, which was incorporated in New Jersey in 1904 as the successor to W. Duke Sons & Co., the dominating factor in the tobacco industry in the latter part of the Nineteenth Century. Although the highly popular "Lucky Strike" cigarette is the largest revenue producer for the company, its products also include "Sweet Caporal," "Pall Mall," and "Lord Salisbury" cigarettes and "Bull Durham," "Half-and-Half," "Tuxedo" and "Blue Boar," smoking tobacco. American Tobacco's interest in the cigar industry is indirect, the company owning controlling stock interests in the American Cigar Co., one of the leading units in that field. In reflection of the company's liberal advertising appropriations, net income for 1930 registered an increase of 43% over that of the preceding year, thus continuing the upward trend of earnings in evidence since 1915. Per share results on the 4,687,054 combined common and common B shares outstanding amounted to $8.56 as compared with $5.76 for 1929. In view of increased advertising appropriations for the current year, and recent advance in cigarette prices, full 1931 earnings might reasonably be expected to exceed those reported last year. Under the circumstances, we see no reason for disturbing your holdings, believing that a sale at the present time would be in the nature of an unwarranted sacrifice.

COLGATE-PALMOLIVE-PEET CO.

Last year I purchased 200 shares of Colgate-Palmolive-Peet at an average price of 55. Do you think it will come back or would you advise me to sell now and take my loss? What is the real outlook for this stock?—J. F. E., Easton, Pa.

Colgate-Palmolive-Peet Co., composed of companies all of which had successful past records, is engaged not only in an essential industry, but it is a leader in the field. The company was formed as the result of a merger of a number of old established manufacturers of soaps, washing powders, dental and shaving creams, toilet preparations and perfumes. The report of the company for the first half of the current year showed an increase in earnings over the first six months of 1930. The earnings for the half year were equivalent to $1.69 per common share, against $1.66 a share in the initial six months of 1930. This gain in profits during a period when the buy-

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ing power of the public has been reduced augurs well for the future of the company. An impressive financial condition is maintained and the regular $2.50 yearly dividend likely will be covered by a sizable margin in the current year. The company is aggressive in its sales policy and is expanding rapidly in foreign countries. With demand for its principal products relatively stable, the outlook for the company for the longer term appears wholly constructive, and we see no reason for sacrificing your shares at this time.

FIRST NATIONAL STORES, INC.

With food prices steadily declining is it reasonable to suppose that a chain like First National Stores can maintain profits? I am holding 125 shares purchased at 48. Would you advise me to continue to hold? Is the dividend well secured?—M. S. D., Orlando, Fla.

First National Stores, Inc., one of the leading chain store units, operating chiefly in New England, has followed a conservative policy of expansion in the past few years. Approximately 2,580 units now are operated, of which more than 215 are meat stores. A recent acquisition was the Economy Stores, Inc., chain, which added 18 stores to the First National system. The report of the company for the fiscal year ended March 28, 1931, showed a net profit equivalent to $5.06 a share, as compared with $5.34 a share a year earlier. Operating returns for the year showed a slight gain, even after inventory adjustments of approximately $1.05 a share, but net income fell off about 4% after allowance for a loss on sale of capital assets. The outlook for the current year is promising as economies of operation and curtailment of further inventory loss should allow slightly better profits. First National Stores, Inc., remains in a strong financial position and the inventory outlook is more promising at this time with commodity prices at extreme low levels. The regular annual dividend of $2.50 a share is well covered by earnings and appears secure. We counsel further retention of your equity in First National Stores, Inc.

BEST & CO., INC.

With Best & Co. selling at less than ten times earnings and yielding over 5% it seems to me that it should be in a position to advance substantially between now and the end of the year, because of the big holiday business ahead. Would you advise me to buy at current levels?—N. K. P. Wichita, Falls, Tex.

Best & Co., Inc., occupies a leading position in the New York City retail merchandising field, specializing in men's, women's and children's apparel of the highest grade. In the fiscal year ended January 31, 1931, earnings declined for the first time in eight years, due to inventory adjustments. Per share results for the latest period were $4.15 as against $4.20 a year earlier. However, sales continued to show an upward trend last year, and it is reported that sales in the current year are showing a slight increase over those of a year earlier. The company's main store is located on Fifth Avenue, New York City, while suburban units are located in East Orange, N. J., Garden City, L. I., and Mamaroneck, N. Y. In addition, stores are operated in Southampton, L. I., Asbury Park and Atlantic City, N. J., and Miami and Palm Beach, Fla., during the vacation seasons. The results from these stores have been highly satisfactory and further expansion along these lines is looked for. The stock of Best & Co., Inc., is selling at attractive levels in relation to demonstrated earning power and operations during the current fiscal year may exceed results for 1930-1931. We would approve a commitment for longer term retention provided you buy during a period of market weakness.

BEATRICE CREAMERY CO.

In view of the extension of territory in which Beatrice Creamery is operating and their good showing during the depression would you sanction moderate new commitments at current levels? Do you think that the growth of co-operative societies among the farmers offers a threat to future growth and profits?—M. G. H., Dearborn, Mich.

Operations of the Beatrice Creamery Co. have been widely expanded in recent years, and the company now ranks as the third largest enterprise in the dairy products field. The activities of the enterprise are chiefly centered in the Middle West, but recent acquisition of the Carry Ice Cream Co. of the District of Columbia, and the Maryland Creamery Co. of Baltimore, Md., have extended its operations to the east coast. The products of the company are well diversified, which tends to stabilize earnings. Products include ice cream, milk, butter, cheese and eggs. The decline in retail prices for its products has been offset to a great extent by operating economies and lower costs and earnings for the past fiscal year showed an increase over those for the fiscal year which ended February 28, 1930. In the year which ended February 28, 1931, the company earned $3,354,025 or $7.12 a share, against $2,489,353 or $7.31 a share a year earlier. The decline in per share earnings was due to an increase in capitalization last year. It is not likely that growth of farmers' co-operative societies offers any threats to future progress of the enterprise. Commitments might be made during a period of market weakness provided you are willing to hold, ignoring day to day market fluctuations.

KROGER GROCERY & BAKING CO.

A friend of mine in the investment business has advised me to buy Kroger. He states that he believes with the proven success of their new master stores, this stock could easily jump 25 to 30 points. Because of the decreased profits and falling retail prices I do not care to act until I get your opinion. What do you advise?—T. G. M., Waterloo, Iowa.

The efficiency of the new management of the Kroger Grocery & Baking Co. is clearly indicated in the report of the company for the 24 weeks which ended June 24, 1931. Despite a decline of 3.4% in dollar sales and a drop of more than 15% in retail prices, earnings for the latest 24 weeks were equivalent to $1.24 a share, as compared with a profit of but 12 cents a share in the corresponding period of 1930. The company now operates in the neighborhood of 5,000 stores of various types. A number of unprofitable units have been closed by the new management and new stores have been opened where profitable territories were located. The new master store which was opened in downtown Cincinnati has proved successful and similar stores are being considered in other large cities. The master store carries about 1,600 items, whereas approximately 800 items are carried in the average Kroger unit. The company's financial position at the close of June, 1931, showed improvement and regular $1 annual dividend is well secured. Profits in the neighborhood of $2.60 a share are looked for in the full year 1930. We regard Kroger Grocery & Baking as a desirable speculative medium, and believe that a commitment made on any market reaction will prove profitable over a period of a year or more.

GENERAL MILLS, INC.

What is the reason for General Mills selling so close to its 1931 low? As this company yields over 8% at recent prices, I had planned to buy 150 shares but if the present uncertain outlook for wheat is likely to have any serious effect on the company's earnings I of course would not care to do it. Will you give me your judgment?—L. K. F., Peekskill, N. Y.

General Mills, Inc., the leading factor in the flour milling industry, controls 21 flour mills, having a daily capacity of 85,650 barrels of flour and has storage facilities for more than 11,000,000 bushels of grain. Its products, which

(*Please turn to page 546*)

Dividends and Interest

New York Stock Exchange

RAILS

	1929		1930		1931		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	7/29/31	Share
Atchison	298⅝	195⅛	242½	168	203⅜	132¾	153⅜	10
Do Pfd.	104⅞	99	108¾	100	108¼	100½	105	5
Atlantic Coast Line	209½	161	175½	95¼	120	78	83	7
B								
Baltimore & Ohio	145⅛	105	122⅞	55⅝	87⅞	43½	49⅞	5
Bangor & Aroostook	90⅜	55	84½	50⅛	66¾	47	†53	3½
Brooklyn-Manhattan Transit	81⅞	40	78⅜	55⅛	69⅜	53⅞	58⅞	4
Do Pfd.	92⅝	76½	98¾	83	94¼	85⅜	92¼	6
C								
Canadian Pacific	265⅝	185	52¼	35¼	45⅝	24⅛	25⅜	1¼
Chesapeake & Ohio	279⅝	160	51⅝	32⅜	46½	27	35	2½
C. M. & St. Paul & Pacific	44⅞	16	26⅜	4¼	8⅞	3⅛	†5	..
Do Pfd.	68⅝	28½	46¼	7¾	15⅜	4⅜	8¼	..
Chicago & Northwestern	108⅛	75	89⅞	28½	45½	25	27¾	4
Chicago, Rock Is. & Pacific	143⅛	101	125⅛	45¼	65½	22½	37	2¼
D								
Delaware & Hudson	226	141½	181	130⅛	157¼	107½	117⅝	9
Delaware, Lack. & Western	169⅜	120¼	153	69½	102	45¼	54	4
E								
Erie R. R.	93½	41½	63¾	22⅛	39⅜	13½	†19⅝	..
Do 1st Pfd.	69¼	55½	67⅞	27	45⅛	25	†31½	4
G								
Great Northern Pfd.	128¼	85¼	102	51	69¾	42¾	42¾	4
H								
Hudson & Manhattan	58⅝	34⅛	53⅜	34⅞	44½	33⅞	38	3½
I								
Illinois Central	153⅜	116	136¾	65¾	89	41½	45⅛	4
Interborough Rapid Transit	58⅜	15	39½	20⅜	34	19½	†21½	..
K								
Kansas City Southern	108⅜	60	85⅜	34	45	25	28	2
Do Pfd.	70⅛	63	70	53	64	40	48	4
L								
Lehigh Valley	102¼	65	84⅞	40	61	37¼	40	2½
Louisville & Nashville	154¾	110	138½	84	111	61¼	†71	5
M								
Mo., Kansas & Texas	65¾	27⅛	66⅝	14⅞	26¾	9⅞	13	..
Do Pfd.	107½	93⅞	108⅝	60	85	39¾	51	7
Missouri Pacific	101⅜	46	98⅛	20⅜	42¾	14	†22	..
Do Pfd.	149	105	145½	79	107	50	64¼	5
N								
New York Central	256½	160	192¾	105⅛	132¼	71½	76	6
N. Y., Chic. & St. Louis	192⅜	110	144	73	88	35	35	6
N. Y., N. H. & Hartford	132½	80⅞	128⅛	67⅝	94⅞	63	67	6
Norfolk & Western	290	191	265	181½	217	139	165½	12
Northern Pacific	118⅜	75⅛	97	42⅜	60⅞	30½	35¼	5
P								
Pennsylvania	110	72⅛	86⅝	53	64	42⅛	45	3
R								
Reading	147⅜	101½	141⅛	73	97½	60⅜	†65	4
Do 1st Pfd.	50	41½	50½	44⅛	46	37	43	2
S								
St. Louis-San Fran.	133¾	101	118⅞	39¾	62¾	9	16¼	..
St. Louis-Southwestern	115¾	50	76¾	18	33⅛	7	17	..
Seaboard Air Lines	21¾	9⅛	12½	⅛	1⅜	⅜	⅝	..
Do Pfd.	41⅜	16¼	28	½	2⅛	⅝	1	..
Southern Pacific	157⅛	105	127	88	109½	67¼	77½	6
Southern Railway	162⅛	109	136¾	46½	65⅞	27	28½	6
Do Pfd.	100	93	101	76	83	53	†56	5
U								
Union Pacific	297⅝	200	242¾	166⅛	205⅛	137	155	10
Do Pfd.	85½	80	88⅝	82¼	87	83⅝	†84¼	4
W								
Wabash	81⅝	40	67⅞	11⅛	26	8	13	..
Do Pfd. A	104⅞	82	89¼	39	51	19	†21	..
Western Maryland	54	10	36	10	19⅝	9	11¾	..
Do Pfd.	53⅛	14⅝	38	11¼	20	9¼	†12⅜	..
Western Pacific	41⅞	15	30½	7½	14⅞	4	†7½	..
Do Pfd.	67¾	37½	53½	23	31⅝	10⅛	15	..

INDUSTRIALS AND MISCELLANEOUS

	1929		1930		1931		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	7/29/31	Share
Adams Express	34	20	37⅜	14¼	23½	11⅛	14⅛	1
Air Reduction, Inc.	223⅜	77	156⅜	87⅛	109⅜	70¾	75¼	4½
Allegheny Corp.	56½	17	35¼	5¾	12¾	4⅛	6⅜	..
Allied Chemical & Dye	354¾	197	343	170¼	182¾	102¾	110⅜	6
Allis Chalmers Mfg.	75⅛	35⅛	68	31¼	42¾	18⅜	24½	2
Amer. Brake Shoe & Fdy	62	40½	54⅝	30	38	25⅞	28⅛	2.40
American Can	184½	86	156½	104⅝	129¾	92¼	94	5
Amer. & Foreign Power	199½	50	101¾	25	51¾	21¼	26⅝	..
American Ice	54	29	41⅞	24½	31⅝	18¼	20¾	3
Amer. International Corp.	96⅜	29½	55⅜	16	26	9¼	13¼	..
Amer. Mchy. & Fdry.	279¾	142	45	29¾	43¾	28	31⅞	1.40
Amer. Power & Light	175¾	64¼	119⅝	36⅛	64⅞	30⅜	33⅝	1
Amer. Radiator & S. S.	55⅜	28	39¾	15	21¼	11½	12⅝	.60
Amer. Rolling Mill	144⅝	60	100⅞	28	37⅜	15⅛	19⅝	..
Amer. Smelting & Refining	130¼	62	79⅛	37½	58½	24⅜	31½	2
Amer. Steel Foundries	79⅞	35¾	52¼	23½	31⅛	11⅛	15⅝	1
American Stores	85	40	55½	36½	48¼	37	41¾	2½
Amer. Sugar Refining	94¾	56	69⅞	39¼	60	42	†54	5
Amer. Tel. & Tel.	310¼	193¼	274¼	170⅜	201¾	156¼	171⅛	9
Amer. Tobacco Com.	232⅛	160	127	98⅛	128¾	98⅛	118⅛	6
Amer. Water Works & Elec.	199	50	124⅞	47⅝	80¾	40⅜	48	3
Anaconda Copper Mining	140	67⅛	81½	25	43¼	18¾	24¼	1½
Arnold-Constable Corp.	40⅞	6¼	13¾	3⅛	9	3⅝	7¼	..
Assoc. Dry Goods	70⅝	25	50⅛	19	29⅝	16¼	19	2½

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 7/29/31	Div'd $ Per Share
A								
Atlantic, Gulf & W. I. S.S. Line	86⅞	32⅛	80⅜	33	39	15	†14⅛	..
Atlantic Refining	77⅞	30	51⅜	16⅝	23⅝	11⅛	15	1
Auburn Auto	514	120	263¾	60⅝	295½	101½	139	4
B								
Baldwin Loco. Works	66⅝	15	38	19⅜	27⅞	9⅛	12⅛	..
Barnsdall Corp. Cl. A	49⅛	20	34	8⅝	14½	5¾	8⅛	1
Beech Nut Packing	101	45	70⅛	46¾	62	44½	†50	3
Bendix Aviation	104⅜	25	57⅜	14¼	25½	14⅞	20	1
Best & Co.	60⅞	25	56¼	30⅝	46¼	31¼	36⅛	2
Bethlehem Steel Corp	140¾	78¼	110¼	47⅜	70⅜	35⅛	35⅜	4
Bohn Aluminum	136¾	37	69	15⅜	40½	20¾	35	1½
Borden Company	100½	53	90⅜	60⅛	76½	47	55⅞	3
Borg-Warner	86⅞	26	50⅛	15	30¾	14⅛	19	1
Briggs Mfg.	63⅛	8⅛	25⅜	12⅛	22¾	8¼	13	1¾
Burroughs Adding Mach	96⅞	29	51⅞	18⅜	32¼	19⅛	22	1⅛
Byers & Co. (A. M.)	192⅞	50	112⅜	33⅛	69¾	23⅝	23	..
C								
California Packing	84⅞	63½	77½	41¼	53	20⅛	22¾	2
Calumet & Arizona Mining	136¾	73⅛	89⅞	28⅝	43⅜	23½	†37⅛	..
Calumet & Hecla	61⅞	25	33⅜	7¾	11⅜	5	6¾	..
Canada Dry Ginger Ale	98¾	45	75⅜	30½	45	29⅞	33	3
Case, J. I.	467	130	362¾	83½	131½	59½	63⅞	6
Caterpillar Tractor	61	50¼	79¾	22	52½	21⅛	23⅛	3
Cerro de Pasco Copper	120	52¼	65⅜	21	30⅛	14	16¾	1
Chesapeake Corp.	92	42⅛	82½	32¼	54⅛	27½	36	3
Childs Co.	75⅞	44¼	67⅝	22⅞	33¾	15	15	..
Chrysler Corp.	135	26	43	14⅛	25¾	12½	23⅛	1
Coca-Cola Co.	154½	101	191⅜	133¼	170	133	142	7½
Colgate-Palmolive-Peet	90	40	64⅞	44	50½	40	44	2½
Colorado Fuel & Iron	78½	27¾	77	18¾	32¼	9¾	15	..
Columbian Carbon	344	105	199	65⅛	111⅝	55	67⅛	5
Colum. Gas & Elec	140	52	87	30⅝	45⅝	20⅝	29	2
Commercial Credit	62⅝	18	40¾	15½	23¼	13	16	2
Commercial Solvent	63	20⅛	38	14	21⅛	10¾	16⅛	1
Commonwealth Southern	24¾	10	20½	7⅛	12	6⅞	7⅞	.40
Consolidated Gas of N. Y.	183¼	80⅛	136⅞	78¼	109⅝	82⅛	91⅛	4
Continental Baking Cl. A	90	25¼	52½	16¾	30	9¼	12¾	..
Continental Can, Inc.	92	40⅛	71⅜	43½	62¾	40⅜	48¼	2½
Continental Oil	47⅛	48	30½	7¾	12	5	8½	..
Corn Products Refining	126⅜	70	111⅜	65	86⅝	55⅜	66⅜	4
Crucible Steel of Amer	121¾	71	93⅝	50⅛	63	30⅜	39¾	..
Cudahy Packing	67⅞	36	48	38⅛	48⅞	35¾	40½	4
Curtis Publishing	132	100	126⅛	85	100	69	70	4
Curtiss Wright, Common	30⅛	6⅝	14⅞	1¾	5⅞	2⅛	3	..
Curtiss Wright, A	37⅞	18¼	19¾	3	8½	3	4⅛	..
D								
Davison Chemical	69⅛	21¼	43⅝	10	23	9⅝	11	..
Drug, Inc.	126⅛	69	87⅜	57⅝	78¾	61½	72	4
Du Pont de Nemours	231	80	145¼	80⅛	107	71	84½	4
E								
Eastman Kodak Co.	264¾	150	255¼	142⅛	185¾	118	136⅝	8
Eaton Axle & Spring	76¾	18	37¼	11⅝	21⅞	9¼	13¾	1.60
Electric Auto Lite	174	50	114⅞	33	74⅜	34⅛	39	6
Elec. Power & Light	86⅝	29⅛	103½	34⅜	60⅜	30⅛	36½	1
Elec. Storage Battery	104½	55	79¼	47⅛	66	49⅛	53½	5
Endicott-Johnson Corp.	83⅜	49¼	59⅝	36⅞	44	30	40	3
F								
Firestone Tire & Rubber	37	24½	33⅛	15⅛	21½	13	†17⅛	1
First National Stores	90	44½	61⅜	38⅝	59	41	55½	2½
Foster Wheeler	95	33	104½	37½	64½	21½	24¼	2
Fox Film Cl. A	105⅝	19⅛	57⅜	16⅛	38⅜	11⅝	15⅜	2½
Freeport Texas Co.	54⅞	23¾	55½	24½	43¼	22	25½	3
G								
General Amer. Tank Car	123½	75	111⅞	53⅛	73⅛	52⅞	58⅛	4
General Asphalt	94¾	42¼	71⅛	22⅜	47	15¼	20	3
General Electric	403	168⅛	95⅜	41⅛	54¾	36	39⅝	1.60
General Foods	81¾	35	61¼	44⅜	56	43	48⅝	3
General Mills	89⅛	50	59⅛	40⅛	50	35	38½	3
General Motors Corp	91¾	33½	54¼	31⅛	48	31⅛	36⅞	3
General Refractories	88½	50	90	39	57⅜	29	34	3
Gillette Safety Razor	143	80	106⅛	18	38¾	18⅝	21	..
Gold Dust Corp.	82	31½	47⅞	29	42½	21	27⅞	2½
Goodrich Co. (B. F.)	105¾	38¼	58½	15¼	20⅞	8¼	12⅛	..
Goodyear Tire & Rubber	154½	60	96⅞	35⅛	52¾	30⅝	39¼	3
Granby Consol. Min., Smelt. & Pr.	102⅞	46¼	59⅞	12	22⅝	10	†12½	1
Grand Union	32⅞	9⅛	20⅝	10	18⅞	10⅝	14¾	..
Great Western Sugar	44	28	34½	7	11⅞	7⅛	9⅛	..
Gulf States Steel	79	42	80	15	37½	10⅛	†13¾	..
H								
Hershey Chocolate	143⅞	45	109	70	103¾	83⅛	95¾	5
Houston Oil of Texas	109	26	116⅞	29¼	68½	27	39¼	..
Hudson Motor Car	92½	38	62⅞	18	26	11	12⅞	1
Hupp Motor Car	82	13	26⅝	7⅛	13⅛	5¾	6⅞	..
I								
Inland Steel	113	71	98	58	71	39⅜	42	2½
Inter. Business Machines	255	109	197⅛	131	179¾	117	135	6
Inter. Cement	102¾	48	75⅜	49⅛	62¼	27¾	30¼	4
Inter. Harvester	142	65	115¾	45¼	60½	38⅝	40⅝	2½
Int. Match Pfd.	102½	47	92	52¼	73¼	48⅞	51⅛	4
Inter. Nickel	72¾	25	44⅜	12¾	20⅛	9½	12⅞	.60
Inter. Paper & Power "A"	112	57	31⅛	5⅛	10¼	4	†4¼	..
Inter. Tel. & Tel	149¼	53	77⅜	17½	38¾	18⅜	28	2
J								
Jewel Tea	84½	45	66½	37	57¼	36⅛	39	4
Johns-Manville	242¾	90	148⅜	48¾	80¾	40⅝	50⅛	3
K								
Kennecott Copper	104⅞	49⅝	62¾	20⅛	31½	14⅜	17⅞	1
Kresge Co. (S. S.)	57½	28	36¾	26⅛	29	25	26⅛	1.60
Kreuger & Toll	46⅜	22⅛	35⅜	20⅜	27¾	17⅛	18¼	1.60
Kroger Grocery & Baking	122½	28⅛	43⅛	17⅛	35½	13	30	1
L								
Lambert Co.	157¼	80⅛	113	70⅜	87⅞	56	65	8

Securities Analyzed, Rated and Mentioned in This Issue

Important Corporation Meetings

Company	Specification	Date of Meeting
Amer. Tel. & Tel. Co.	Common Dividend	8-19
Case (J. I.) Co., Inc.	Pfd. & Com. Div's	8-13
Chesapeake Corp.	Directors	8-18
Chesapeake & Ohio R. R.	Com. & Pfd. Divs.	8-18
Commercial Solvents Corp.	Common Div'd	8-19
Du Pont (E. I.) de Nemours & Co., Inc.	Com. & Deb. Divs.	8-17
Eastman Kodak Co. of N. J.	Pfd. & Com. Div's	8-12
Engineers Public Service Co., Inc.	Pfd. & Com. Div's	8-20
Graham-Paige Motors Corp.	Directors	8-13
Hudson Motor Car	Common Dividend	8-20
International Harvester Co.	Com. Div'd	8-20
Kennecott Copper Co.	Common Div'd	8-17
Paramount Publix Corp.	Common Div'd	8-10
Southern Pacific Co.	Common Div'd	8-19
Stone & Webster, Inc.	Directors	8-19
Texas Gulf Sulphur Co.	Common Div'd	8-20
Union Pacific R. R.	Pfd. & Com. Div's	8-13
United Fruit Co.	Common Div'd	8-11

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$5.00	Amer. Tobacco Co.	$1.25	Q	8-10	9-1
5.00	Amer. Tobacco Co. "B"	1.25	Q	8-10	9-1
3.00	Borden Co.	.75	Q	8-15	9-1
4.00	Consol. Gas of N. Y.	1.00	Q	8-11	9-15
1.00	Diamond Match	.25	Q	8-15	9-1
3.00	Freeport Texas Co.	.75	Q	8-15	9-1
2.50	Inland Steel	.62½	Q	8-14	9-1
1.00	Kroger Grocery & Bak'g	.25	Q	8-11	9-1
4.00	Liggett & Myers Tob.	1.00	Q	8-17	9-1
4.00	Liggett & Myers Tob. "B"	1.00	Q	8-17	9-1
1.00	Nat'l Power & Light	.25	Q	8-8	9-1
10.00	Norfolk & West'n Ry.	2.50	Q	8-31	9-19
3.00	Purity Bakeries Corp.	.75	Q	8-14	9-1
2.00	Standard Pr. & Lt Co.	.50	Q	8-11	9-1
1.20	Studebaker Corp.	.30	Q	8-10	9-1
2.00	United Biscuit of Amer.	.50	Q	8-15	9-1
4.00	U. S. Steel Corp.	1.00	Q	8-31	9-29
6.00	Wrigley (Wm.) Jr.	.50	M	8-20	9-1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/29/31	Share
L								
Lehn & Fink	63⅛	28	36	21	34¾	22⅝	26	3
Liggett & Myers Tob. B	106	80¼	114⅝	78¼	91¾	60½	73¼	5
Liquid Carbonic	118⅞	40	81⅞	39	55⅛	20⅛	23	3
Loew's, Inc.	84½	32	95¾	41¾	63½	36⅛	44⅛	3
Loose-Wiles Biscuit	88⅝	39⅛	70⅛	40¼	54⅞	40⅜	†45⅝	2.90
Lorillard	31⅛	14⅛	28⅛	8¾	21⅞	11⅜	19⅛	..
M								
Mack Truck, Inc.	114¾	55⅛	88⅛	33⅝	43⅞	21⅛	33¼	3
Macy (R. H.)	255½	110	159¼	81⅝	106¼	66¼	75½	3
Magma Copper	82½	35	52½	19¼	27⅜	10¼	14½	1
Marine Midland	..	..	32½	17⅜	24¼	18¼	20¼	1.20
Mathieson Alkali	72⅜	29	51⅜	30⅛	31½	17⅝	21¼	2
May Dept. Stores	108½	45⅛	61⅜	27¾	39	28	31¾	2½
McKeesport Tin Plate	82	54	89½	61	103½	71½	74	5½
Mont. Ward & Co.	156⅞	42⅝	49⅞	15⅛	29¼	15¾	19⅜	..
N								
Nash Motor Co.	118⅞	40	58½	21¼	40⅞	20	26⅛	4
National Biscuit	236¾	140	93	68⅝	83¾	56¼	56⅝	2.80
National Cash Register A	148¾	59	83½	27⅝	39¾	18⅜	25⅛	..
National Dairy Prod.	86⅛	36	62	35	50¾	26¾	33	2.60
National Lead	310	129¼	189½	114	132	85	104	5
National Power & Light	71¾	23	58¾	30	44⅛	20¼	24¼	1
North American Co.	186¾	66½	132⅞	57¼	90¼	56¾	64⅝	§10%
O								
Otis Elevator	55	22¼	80⅝	48¼	58⅛	31⅞	40	2½
Otis Steel	55	22⅛	38⅞	9⅛	16⅜	6¼	8⅛	..
P								
Pacific Gas & Electric	98⅜	42	74⅞	40½	54⅞	38	45¾	2
Pacific Lighting	146½	58½	107⅞	46	69½	48⅛	51	3
Packard Motor Car	32⅛	13	23⅝	7¼	11⅞	5¼	7	.40
Paramount Publix	75½	35	77⅛	34¾	50¼	19⅝	23¼	2½
Penney (J. C.)	105¼	66	80	27⅝	39⅝	28½	34½	2.40
Phillips Petroleum	47	24⅛	44¾	11½	16⅝	4¾	8	..
Prairie Oil & Gas	65⅝	40½	54	11¼	20⅜	6½	10	..
Prairie Pipe Line	65	45	60	16⅝	26½	14⅝	17⅛	3
Procter & Gamble	98	43⅛	78⅞	52⅝	71¼	50	63⅝	2.40
Public Service of N. J.	137¾	54	123¾	65	96½	72	77⅝	3.40
Pullman, Inc.	99¼	73	89⅝	47	58½	28	34⅛	4
Pure Oil	30¾	20	27¼	7⅝	11⅞	5½	7¾	..
Purity Bakeries	148⅝	55	88⅞	36	55¼	24¼	27⅜	3
R								
Radio Corp. of America	114¾	26	69⅜	11⅞	27⅛	12	16⅝	..
Radio-Keith-Orpheum	46⅞	12	50	14⅜	24⅛	11¼	13¾	..
Remington-Rand	57¾	20⅜	46⅛	14⅛	19⅜	5⅞	8¾	..
Republic Steel	146¼	62¼	79⅛	10½	25⅜	10	13	..
Reynolds (R. J.) Tob. Cl. B	66	39	58⅝	40	54½	40⅜	50½	3
Royal Dutch	64	43⅛	56½	36⅞	42⅝	24⅞	27	2.23
S								
Safeway Stores	195¼	90⅛	122⅝	38¾	65⅛	38⅝	60	5
Sears, Roebuck & Co.	181	80	100⅝	43⅛	63¼	44⅞	55	2½
Shell Union Oil	31¾	19	25⅛	5¼	10¼	4½	6	..
Simmons Co.	188	59⅛	94⅞	11	23¾	10⅛	15	..
Sinclair Consol. Oil Corp.	45	21	32	9¾	15⅞	6¼	10¼	..
Skelly Oil Corp.	46⅛	28	42	10⅛	12⅞	3⅛	5	..
So. Cal. Edison	93¼	45⅛	72	40⅛	54⅛	36	42	2
Standard Brands	44¾	20	29¼	14⅛	20⅛	14⅞	17⅞	1.20
Standard Gas & Elec. Co.	243¾	73⅛	129¼	53⅛	88⅜	55⅞	61	3½
Standard Oil of Calif.	81⅞	51⅛	75	42¼	51¾	31⅛	36	2½
Standard Oil of N. J.	83	48	84⅞	43½	52½	30⅝	37	2
Standard Oil of N. Y.	48⅛	31¾	40⅝	19¾	26	13⅞	17⅜	1.60
Stewart-Warner Speedometer	77	30	47	14¾	21⅞	8	10⅝	..
Stone & Webster	201⅛	64	113⅜	37½	54½	25½	28¾	3
Studebaker Corp.	98	38¼	47¼	18⅛	26	14⅛	17¾	1.20
T								
Texas Corp.	71⅞	50	60⅛	28¼	36¼	18	22⅝	2
Texas Gulf Sulphur	85¼	42½	67⅜	40¼	55¾	29⅛	33¾	3
Tide Water Assoc. Oil	23½	10	17¾	5⅞	9	4	5¾	..
Timken Roller Bearing	139⅜	58½	89¼	40⅛	59	31⅞	31⅞	3
U								
Underwood-Elliott-Fisher	181¾	82	138	49	75¾	40	44½	5
Union Carbide & Carbon	140	59	106¾	52⅛	73	43⅛	49⅞	2.60
United Aircraft & Trans.	162	31	99	18⅝	38⅞	20⅞	26⅛	..
United Corp.	75½	19	52	13⅞	31¼	16⅛	21⅛	.75
United Fruit	158½	99	105	46½	67¾	48¼	57¾	4
United Gas Imp.	59⅝	22	49⅝	24¼	37½	25⅜	28½	1.20
U. S. Industrial Alcohol	243⅝	95	139⅝	50⅛	77⅜	24⅜	28⅜	..
U. S. Pipe & Fdy.	55⅞	12	38¼	18⅛	37⅛	20	21¾	2
U. S. Realty	119⅛	50⅛	75½	25	36¾	13½	†15¾	1
U. S. Rubber	65	15	35	11	20⅜	10⅛	12⅞	..
U. S. Smelting, Ref. & Mining	72⅞	29⅞	36½	17½	25⅝	13¼	†16½	1
U. S. Steel Corp.	261¾	150	198¾	134⅜	152⅜	83⅛	84⅝	4
V								
Vanadium Corp.	116⅛	37½	143¼	44⅝	76⅜	23⅛	27⅜	..
W								
Warner Brothers Pictures	64½	30	80¼	9¾	20⅝	4¾	6⅜	..
Western Union Tel.	272¼	155	210⅜	122⅛	150⅜	98½	112¾	8
Westinghouse Air Brake	67¾	26½	53	31¼	36⅛	20	†25¾	2
Westinghouse Elec. & Mfg.	292⅝	100	201½	88⅛	107¾	54¼	62¼	4
White Motor	53¼	27¼	43	21⅝	26¼	15⅛	†16¼	1
Woolworth Co. (F. W.)	103⅞	52¼	72⅜	51⅛	72⅝	54⅜	67½	2.40
Worthington Pump. & Mach.	137⅝	43	169	47	106⅜	37⅛	43¾	..
Y								
Youngstown Sheet & Tube	149	91	150¼	69⅛	78	30⅛	†39½	2

† Bid Price. § Payable in stock.

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Who Will Profit in the Newest Industry?

(*Continued from page 529*)

and Washington, featured by constantly regulated temperature offering summer comfort and shutting out cinders and dust, as well as part of the customary noise incident to railway travel. The public response has been so marked that a second train of similar equipment has recently been added.

Bearing in mind the increased comfort, health and efficiency that can be had by application of the principles and methods already developed, what limit can be seen in this new direction? There is no reason why every home, office, factory and store should not ultimately be able to deal with summer weather as effectively as with that of winter.

Nor is this entirely a dream of the future. Not only is experimentation already under way by various companies, but at least one has made a practical start. General Motors is now marketing a Frigidaire "room cooler." If the history of mechanical refrigeration of the last five years is any guide, as it probably is, we can soon say not only "Turn on the heat" but "Turn on the coolness."

Answers to Inquiries

(*Continued from page 541*)

are widely advertised, include, in addition to flour, cereals, poultry feed and specialties. Gold Medal, the principal brand of flour produced by General Mills, is so widely distributed that it has become a household word throughout the world. While the fiscal year which ended May 31, 1931, was a generally unsatisfactory business period, particularly in regard to commodity prices, the report of General Mills, Inc., for that period revealed net income of $3.71 a share. In the previous fiscal year $4.83 a share was earned, as compared with the annual $3 dividend requirements. While the company reduces the possibility of losses on flour and wheat transactions to a minimum by a hedging process, the hand-to-mouth buying policy of its customers during the period of price fluctuations in grain quotations has tended to restrict sales. The company is in a strong financial position and the dividend appears secure at the current rate. However, while the longer term outlook for General Mills is constructive, we see no reason for hastening a commitment in the face of the uncertainties involved in the near term outlook.

AIR REDUCTION CO., INC.

Can you tell me why Air Reduction does not do better marketwise? I recently read where their second quarter earnings were likely to show an improvement and with their entrance in the welding of natural gas pipes I fully expected to see a nice upmove. But now with its stock still selling close to its 1931 low I am tempted to sell and take a loss. What is your opinion?—A. D. G., Lorain, Ohio.

The principal activities of the Air Reduction Co., Inc., are centered in the manufacture of oxygen, acetylene, nitrogen and gases through the process of reduction of air. The company also produces acetylene and carbide for welding purposes and the apparatus necessary for their employment in welding. The products of Air Reduction are well diversified and the company controls jointly the Pure Carbonic Co. of America, the second largest manufacturer of carbon dioxide and recently acquired an enterprise specializing in the welding of pipe line. This acquisition gave Air Reduction an important foothold in the natural gas industry since new pipe lines for the transportation of natural gas will be required in the future. Earnings of Air Reduction in 1930 showed the effects of the business depression and consequent falling off in demand for its products, and amounted to $6.32 a share, against $7.75 in 1929. The downward trend was continued in the first half of the current year when $2.43 a share was earned compared with $3.64 on a smaller capitalization in the initial six months of 1930. However, second quarter earnings were slightly better than in the first quarter. The stock at current levels appears to have discounted the unpromising near term outlook and we do not favor a sacrifice sale at this time.

E. I. DU PONT DE NEMOURS & CO.

What part of du Ponts' earnings come from General Motors? Will the decrease in this source of revenue for 1931 be likely to adversely affect the price of du Pont? Are there any signs of improvement in the explosive branch? I have 500 shares which I purchased at 125 in 1930. Do you think I would be better off to sell now and take my loss?—C. V. B., Lansing, Mich.

Operations of E. I. du Pont de Nemours & Co., the leading domestic chemical unit, are unusually well diversified, products including explosives, dye-stuffs, heavy chemicals, paints, varnishes and rayon. In addition, the company produces an artificial leather, motion picture films and "cellophane," a product which has gained rapid popularity as a wrapping tissue. However, the major portion of the earnings of the company is derived from ownership of 23% of the outstanding stock of the General Motors Corp. Income from the General Motors investment contributed 59% to the total du Pont profits in 1930, as compared with 52% in 1929. In the first quarter of the current year, the General Motors holdings provided 69% of the total du Pont profit for the period. Earnings in the first six months of 1931 amounted to $2.23 a share, against $2.84 in the initial half of 1930. The General Motors investment contributed $1.35 to first half year earnings. Recovery of former earning power is dependent upon a general business uptrend, and profits over the current year likely will remain restricted. However, it has been estimated that 1931 operations will cover the annual $4 dividend, and a strong financial position is maintained. You are holding shares in one of the leading industrial units in the world, and we do not believe it advisable to dispose of your equity during a period of depressed business, inasmuch as the longer term outlook remains favorable.

What Shall the Savings Banks Depositors Do?

(*Continued from page 527*)

course observe a proper diversification of commitments in order to increase the safety of the aggregate fund. This diversification would call for limiting the investment in any one company or industry, and obtaining reasonable geographical spread.

Concerning the outlook for high grade bonds and high grade preferred stocks, it appears entirely probable that these will show a gradual advancing trend over the next year or so. For one thing, the lower interest rates put into effect by the savings institutions will influence the flow of savings back into normal channels with beneficial effect on the price of these securities. The policy of easy money and credit being pursued by the Federal Reserve Bank, moreover, is designed to aid in this trend. With business in this country stabilizing and readjusting itself to current conditions, confidence in investment securities will be restored as the better-managed companies demonstrate their ability to make profits and this will aid in bringing about gradually rising prices for prime investments. Indeed, in anticipation of such a move, the present time seems favorable for

the purchase of this type of securities to form a backlog for an investment portfolio which may be further built up subsequently as the individual continues to put aside funds for this purpose.

What England Means to the United States

(*Continued from page* 513)

accounts for about a third of our total foreign investments.

Great Britain naturally has invested a great deal of money in her Empire. In fact her old conception of an Empire was somewhere where money could be put for the profitable exploitation of raw material resources. These could conveniently be used either by her industries or to feed a population she could not support herself. This is well illustrated by the fact that England's investments in the Dominions and Crown Colonies totals nearly 13 billion dollars, of which slightly over 8 billion is represented by private and corporate investment and the balance by government securities of various kinds. These investments cover every conceivable field of human endeavor and are so varied that generalization becomes impossible.

In Asia we are likewise behind her, having invested in this continent barely 700 million dollars against England's 1,300 million dollars. Here, however, it is noticeable that both Great Britain's and our own private and corporate investment is nearly double that represented by government securities, showing that private initiative, the most desirable motivating factor of foreign investment, has predominated. England's investment in the rubber plantations of Malay are among the most interesting of her holdings in regard to their effects upon ourselves. It will be remembered that during the regime of the Stevenson Rubber Plan, we, as the greatest consumers of rubber in the world, were obliged to pay over a dollar a pound for something which can now be bought for about six cents.

In Europe our stake omitting war debts, is very much greater than that of Great Britain and amounts to about 2,585 million dollars in government securities and 1,353 million dollars in European commercial and industrial enterprises. Great Britain's total holdings nevertheless amount to more than 1,400 million dollars, of which about 40 per cent is in government securities and the balance is represented by private and corporate investment. In Europe, Germany is our principal money-customer, the United States

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of July 30, 1931

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Aluminum Co. of Amer......	224	90	109
Amer. Commonwealth Pr-A (Stk. 10%)	17	10⅛	13⅛
Amer. Cyanamid "B"	12¾	6⅛	7⅜
Amer. Founders	5½	2⅜	3
Amer. & Foreign Pwr. War.	31½	11	15⅝
Amer. Gas Elec. (1)........	97⅛	48⅛	65
Amer. Lt. & Traction (2½).	54½	34⅛	38
Amer. Superpower (.40)......	19⅝	8⅝	10⅞
Assoc. Gas Elec. "A" (1)...	23¾	11¼	12⅜
Brazil T. L. & P. (1).......	28½	12⅜	18⅛
Central Stat. El. (10% stk.)	12⅛	6¼	7⅛
Cities Service (.30)..........	20⅜	9¾	10
Cities Service Pfd. (6)......	84¾	61¼	64⅛
Commonwealth & South. War.	2¾	1⅜	1⅝
Consol. Gas of Balt. (3.60)..	101	77	88¼
Cord Corp.	15	5⅞	7⅜
Crocker Wheeler	14½	7¾	11⅞
Deere & Co.	44¾	16	16⅜
Durant Motors	3¼	1¼	1⅜
Elec. Bond Share (6% stk.).	61	31⅛	36¾
Ford Motors, Ltd. (.36⅜)...	19⅞	9⅝	11
Fox Theatre, A	6⅛	2⅛	2⅝
Gold Seal El.	1⅝	⅝	¾
Goldman Sachs T............	11¼	4¾	5½
Gulf Oil (1.5)	75⅛	38	57
Hudson Bay M. & S..........	6⅝	3⅛	3¾
Humble Oil (2½)	72	49⅞	60⅜
Internat. Pet. (1)...........	15⅛	8¾	12¼
International Utilities B....	10⅞	5¼	7¾
Mid West Util. (8% stk.)...	25¼	18⅛	17⅝
New Mex. & Ariz. Land....	3	1¼	1¼
Newmont Mining Co..........	58⅞	23⅛	27
Niagara Hudson Power (.40)	15½	9⅛	10⅜
Niagara Hudson Pwr. A war.	3¼	1⅝	2
No. Amer. L. & Pr. (8% stk.)	68¾	63⅛	68½
Pennroad Corp. (.40)........	8½	4⅞	5⅞
Public Util. Holding Corp. of Amer. (x. war.)	6⅞	3⅛	3⅜
Salt Creek Prod. (1.40)......	7¾	4	4¾
Selected Industries	4⅞	2½	2¾
Standard Oil of Ind. (2)....	38½	19⅛	24⅜
Standard Oil of Ky. (1.60)..	23⅝	15⅝	19
Stutz Motor Car.............	28	9⅞	9⅞
Trans Lux	13⅛	5¼	5¼
United Founders	10¼	4⅛	4⅞
United Lt. & Pow. A (1)...	34½	17⅝	20¼
United Gas Corp.	11⅞	4⅞	6⅛
U. S. Elec. Pwr. (w. w.)....	8⅜	3¼	3⅞
Utility Pow. & Lt. (1.02½).	14½	6⅜	8⅝
Vacuum Oil (2)	69¾	32⅛	45½

having invested 1,400 million dollars in the bonds of the German Government, German states and German municipalities. Our other investments in Germany are comparatively insignificant. Not unnaturally perhaps it is in Great Britain herself, with its familiar language, laws and customs that has been found the most attractive of the European nations for investment by our individual citizens and our corporations. Here there is the advantage of an abundant coal supply, trained labor and a large and easily reached market with connections throughout Europe. American owned plants in Great Britain produce nearly every commodity which American industry produces in any other foreign country. The principal products are electrical and other metal goods. Almost equally important however are rubber products, musical instruments, automobiles, chemicals and branded foodstuffs.

Our stake in England herself amounts to 521 million dollars. At the same time it is interesting to note that Great Britain's investment in the United States is 2,825 million and over the past twelve years has gained at the rate of about 50 million dollars a year. Income from American securities held by British investors amounts to about 142 million dollars a year—almost 90 per cent of the annual installments of principal and interest due to the United States Government on Great Britain's War Debt to this country. The investment policy of British investors since the War has been one of careful study and investigation as to the merits of every security. The advice and counsel of the leading American Banking Houses and reliable Investment Service organizations as to the nature and character generally of American securities offered to British investors have been cordially welcomed and followed with consequent advantageous results.

From which it will be seen that the United States and Great Britain are investors in each other as well as co-investors throughout the world.

What do the tremendous sums of money that we and Great Britain have placed abroad mean to us respectively? Let us see. Foreign investments naturally have those advantages which accrue to any investment; they provide an income. In certain cases they also provide a satisfactory living for the citizens of the creditor nation. American selling agencies and branch factories naturally employ a certain number of Americans even though the majority of the workers may be of the country where the plant is situated. In other cases they assure us a good supply of some commodity which we are unable to produce ourselves. These latter advantages, however, are those which accrue solely to direct investments which incidentally is the form principally used by Great Britain. We on the other hand have invested almost as much in government securities as we have in private and corporate enterprise and it may be that here lies the reason why England could go placidly along for decades placing money abroad whereas we, after a short ten years, are having more than a reasonable amount of trouble with our debtors.

Years ago when England was the leading industrialized nation, and the rest of the world had not yet been introduced to the machine made article, it was to her advantage to stimulate the production of raw materials, knowing that she could manufacture them and would not lack for a satisfactory market in which to sell the finished product. This was done and she further facilitated matters by imposing no restrictions whatsoever on their free entry into her country. England said in effect that she would lend money for the production of wheat, cotton, rubber, coffee, tea or whatever else she might have needed and that she would accept in payment of interest and principal part of the crop, the whole transaction being essentially a form of barter. We, on the other hand, have tended more to a diametrically opposed system, stating that gold would be lent and that if the debtor happened to produce something we needed then so much the better for him, but that this was really outside the transaction and that repayment must essentially be made in gold. As the United States is so nearly self-sufficient the number of products which a foreign debtor might send her without encountering a prohibitive tariff, is much more limited than in the case of England, and many of the countries to which we have lent money are now having trouble in paying us.

This is indeed a problem, for if we allow free entry to products which we produce ourselves, then they will compete with the domestic article and consequently displace our own workers. While, in theory, these displaced workers would soon be absorbed by the trades catering to the foreign market, it has been difficult to convince our politicians that such would be the case and we are confronted with the apparent dilemma of either sacrificing our workmen or ruining our investors. Either course is suicidal and yet even though the problem is now acute we have not faced it seriously. In the case of the war debts, for example, which must be paid in exactly the same way as private obligations, we have lately negotiated a moratorium. This is a palliative only and goes nowhere near the root of the matter.

Something must be done, for should we continue our present policy, it is obvious that American investors and business men will not place their money abroad knowing the difficulties

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	Bid	Asked
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Bank of N. Y. & Trust Co. (20)	515	535
Bankers (3)	93	96
Brooklyn (20)	380	390
Central Hanover (7)	213	218
Chase (4)	64½	67½
Chatham-Phenix (4)	60½	63½
Chemical (1.80)	45½	47½
City (4)	74¾	77¾
Corn Exchange (4)	94	98
Empire (3.20)	44¾	47¾
First National (100)	3480	3680
Guaranty (20)	437	442
Irving Trust (1.60)	33	36
Manhattan Co. (4)	64½	67½
Manufacturers (2)	41¾	43¾
New York (5)	141	146
Public (4)	47	50
United States Trust (70)	2775	2975

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	Bid	Asked
Aetna Fire (2)	40¾	42¾
Aetna Life (1.20)	43½	45½
Carolina (1.50)	22	24
Continental (1.60)	25½	28
Glens Falls (1.60)	40	42
Globe & Rutgers (24)	470	520
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Hanover (1.60)	26½	28½
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Home (2)	30	32
National Fire (2)	52½	54½
North River (2)	33	36
Stuyvesant (2)	39	44

INSURANCE COMPANIES—Continued

	Bid	Asked
Travelers (20)	730	780
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Westchester (2.40)	36	37

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	Bid	Asked
American Surety (4)	48½	51½
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JOINT STOCK LAND BANKS

	Bid	Asked
Chicago	2	5
Dallas	25	..
Des Moines	2	..
First Carolina	2	..
Lincoln	..	27
Southern Minnesota	..	1½
Virginia	¼	½

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	Bid	Asked
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Do 7% Pfd.	40½	44½
Diversified Trustees Shares A	14¾	..
Do Series B	12½	..
Fixed Trust Shares A	12¼	..
Interl. Sec. Corp. of Amer. B	⅜	..
Do A	9	..
Do 6% Pfd.	71	..
No. Amer. Trust Shares	4½	5
Second Intl. Securities A	10	..
Do 6% Pfd.	34	..
Shawmut Bank	7½	9
U. S. & British Internl. B	⅜	..
U. S. Electric Lt. & Pr. "A"	28¼	30¼

of repayment. England may be expected to press her advantage in every way possible. She will plead as she has been doing—justifiably and with considerable success—that one should buy from those who buy from you. She will contend that the debtors' raw materials can be shipped to London and sold there without having to pay for the privilege, whereas when principal and interest are paid in New York there is a difficult tariff wall to negotiate. England may even make a further effort to protect her foreign investments and stimulate her trade with her debtors by arranging a commercial treaty calling for a mutual interchange of goods. This she has tried. There is the Empire Free Trade Plan, a gigantic effort to make the most of her tremendous purchasing power which amounts to some 600 million dollars annually. She wishes to use this purchasing power as a lever to force the dominions and colonies to buy her manufactures. The dominions and colonies, however, do not want to be dependent industrially upon England. They too wish to develop along these lines. India for example has dreams of rivaling Manchester as the world's cotton center. She would also like to be the Asiatic Birmingham or at any rate to supply her own iron and steel needs. Canada would like to become another United States, almost completely independent of the rest of the world both in industry and also agriculture. Australia dreams of being the Bradford of the world sending her woolen goods everywhere. To this spirit of nationalism then and also for the reason that no satisfactory disposal could be made of such countries as the Argentine in which England has invested more than 2,290 million dollars is the reason for the present seeming failure of the Empire Free Trade Plan.

Nevertheless even though England has been balked for the moment, she will undoubtedly not admit defeat without a further effort and it is hardly conceivable that anything she might do to protect her foreign investments and increase the trade on which they depend will react other than adversely upon the United States.

Our position is challenged. We too have extensive foreign investments to protect which are inextricably interlocked with our ever growing foreign trade—a trade which will undoubtedly assume greater and greater importance to our well-being. The difficulties which we have encountered and the misunderstandings which have taken place with foreign countries must be settled with the greatest possible dispatch and above all we must rise above a situation where a creditor is cordially disliked and his every motive misconstrued. Even though England may not be the power she once was, we must not allow ourselves to be lured into a false sense of security, for she has experience and trade skill and above all "power" in the scepter of wealth which she wields over the world.

Facts, News and Comments

The business and personnel of Jenks, Gwynne & Co. and Reinhart & Bennet have been consolidated under the name of Jenks, Gwynne & Co. The new firm, as a result of the consolidation, will have two memberships on the New York Stock Exchange, two on the New York Curb Exchange, two on the New York Produce Exchange, and three on the New York Cotton Exchange, in addition to membership on the Chicago and Philadelphia Stock Exchanges, Dallas Cotton Exchange, Montreal Curb Market, Chicago Board of Trade, New York Coffee & Sugar Exchange, New Orleans Cotton Exchange, Quebec Stock Exchange and Associate Members Liverpool Cotton Association.

* * *

Harry B. Harper has been elected vice-president in charge of sales of the Willys-Overland Co. Mr. Harper has had wide merchandising experience in the automobile industry, and his success has been outstanding.

* * *

N. W. Ayer & Son, Inc., have moved their New York offices from 200 Fifth Ave. to larger quarters at 500 Fifth Ave.

* * *

Leonard Hicks was recently elected vice-president and managing director of the Morrison Hotel, Chicago, where he first started his career as a hotel man 27 years ago. Mr. Hicks is chairman of the executive committee of the Chicago Hotel Men's Association.

* * *

Credit Service, Inc., operating a chain of 14 small-loan banks, reports an increase of 31% in total amount of loans outstanding during the six months ended June 30, 1931 as compared with the same period in 1930.

The Practical Plan to Bring Early Recovery

(Continued from page 503)

paper which we can use immediately—I refer to the Federal Farm Banks or similar farm credit institutions. Or it would be both practical and proper for the Farm Board to utilize its huge revolving fund of five hundred million dollars for this purpose if we can count on this organization to handle this without political partisanship. But even if these agencies could not meet the demand, individuals would most certainly be found who would be willing to discount this form of long-term obligation. If Soviet notes can be discounted, as they have been during the past two years by private bankers, then the paper of other countries could most certainly be discounted at less than the exorbitant rates imposed on Russian notes. But, even though the discount rates were abnormally higher, would not the seller actually be far better off than if left with huge supplies of this commodity in a falling market? Moreover, as the practical advantages of commodity sales on long term credit became manifest, groups of substantial citizens in the purchasing countries could be found as guarantors of the credit instruments, reducing the risk and hence the rate of discount. Also it might be noted that although these debts would no doubt be recognized as moral obligations in view of their humanitarian aspect in saving the afflicted country, the endorsement of substantial people would be valuable in exerting governmental pressure in the event of default—because unlike our policy, foreign governments are closely allied with their banks which are both politically and economically subject to instruction by the government.

Same Remedy for Wheat

The example cited in cotton can be duplicated in wheat. The bedeviled Farm Board might find the way out of its current dilemma in the long term credit sale of the staple to the starving of India, China or in the Near East. Copper might be sold through the Copper Exporters Association to Austria on long-term credit—and so with other products.

There is a risk, admittedly, in all of these operations but the odds are in favor of a rising market resulting in each commodity, and therefore well worth the taking. On the other hand there is little hazard in the plan on the grounds of its novelty. It is not an untried innovation but an application of a tested practice for the purpose of revitalizing world business and aiding the economically oppressed. Indeed this method is being utilized in the trade arrangements between Russia and Germany. No initial cash was paid down by the Soviets in return for materials and equipment from Germany. And there are successful buying co-operatives here and abroad.

Of course, there are safeguards to be observed. As previously indicated no commodities should be sold on long-term credit in any country which can pay cash.

To sell cotton to England or copper to France, for example, under long credit terms would only substitute a credit for a cash outlet market.

Every contract should contain a clause preventing a resale in competition with other original sales of American goods.

Furthermore this agreement should contain a clause guaranteeing the resale of these goods within the means of the stricken people for whom they are intended.

Establishing Finance Companies

That is to say, if wheat is sold at a sacrifice price in the Far East, if it is to benefit the people for whom it is intended it must not fall into the hands of profiteers who might resell at excessive prices, but should be sold only to agencies who will make only moderate profits on their distributive efforts.

In addition it would be desirable, if not necessary, for us to foster the formation of finance companies which would in turn extend installment credit to the ultimate consumers.

The advantage of *selling goods* abroad on the installment plan instead of *lending cash* enables us to pick and choose our buyers and markets. A loan of cash might not result in an outlet for our goods. By thus taking the initiative we sell *what* we want to sell *where* we want to sell it, *when* we want to sell it.

Returning to the automobile sales analogy: There would have been no great growth in sales if the manufacturers had simply made cash loans to some millions of potential buyers, but when they said in effect, we will give you long-time credit for the purchase of a car the potential buyers became actual buyers. By applying the same principle in foreign trade we get, instead of mere borrowers, substantial buyers of what we want and need to sell. Instead of financing *competition* we promote *sales* for our products.

Finally sales should be directed to those countries where it is logical for our export trade to develop and expand during the next few years. The Far East is certainly of significant importance in this regard. There lies abundant opportunity for the sale of raw materials and finished products once the huge population of those areas has been released from poverty and brought to a higher standard of existence—and the installment plan is the quickest and soundest method.

With proper precautions observed, the benefits of international long-term credit sales should react to the early alleviation of the depression and cause a sustained period of prosperity to ensue. Heavy increases in national governmental debts and ensuing increased taxes would be prevented. *What amounts to commodity loans in reality would supplant money loans.* Suffering, starvation and ultimately unemployment both at home and abroad would be relieved—a gradual increase in living standards and potentially broader markets for finished goods and manufacturers would ensue. The credit of many countries now rated as very high risks would be improved.

Finally we, as the sellers, would escape from burdensome surpluses, establish a firmer price trend and relieve not only our farmers but the entire economic community. Let the co-operatives and industrial institutes and trade associations give thought to these advantages.

The skeleton of the mechanism necessary to put this plan into operation already exists. What is needed is *action NOW.*

Price Declines Can Be Checked

(Continued from page 510)

justified its existence as a result of the price insurance it has afforded to cotton merchants and the advantages afforded the manufacturer for reducing inventory losses. This is a benefit that has been conferred upon society at large by enabling the merchant to pay the producer more for the cotton he raises, and, as a result of the lessened risk, to sell to the manufacturer at a narrower margin than otherwise would be possible.

How the Producer Can Benefit

After this extended preliminary analysis, it is now possible to take up the question of the benefits that could be conferred by the future contract on the producer of raw materials. In other words, how can the future contract remedy a condition of price decline resulting from over-supply?

In the foregoing it has been pointed out that a commitment in future contracts guaranteed by an organized ex-

change, is the equivalent of the physical commodity. In other words, the buyer of a contract in cotton, wheat, rubber or silk can demand delivery of the specified amount. The seller either must make delivery or liquidate his short contract by purchase from another seller.

When we have a large existing surplus in any commodity, the only way to cure that situation is to reduce future supply by curtailing production. Human nature, being what it is, all efforts to bring about concerted curtailment in the past have been virtual failures. Only in a few industries headed by able executives willing to acknowledge economic obstacles has this wise policy been successful. Automobiles and steel are shining examples.

When the grain growers of the West, the cotton producers of the South, the sugar planters of Cuba and Java, or the rubber companies of the Far East have been urged to cut production, a negligible reduction or even an increase has been the usual result.

As stated above, it has been a case of human nature. The man who cuts acreage in wheat or cotton, for example, feels that he is making a sacrifice. He is afraid that his neighbor will plant as much or more than he did the season before and get the benefits resulting from the self-denial of the man who curtailed. Moreover, he will be inclined to say to himself if he cuts his acreage and the price goes up, he is no better off than if he got a lower price for a larger production.

Obviously, the only way to bring about a curtailment of output that will cure the condition of over-supply is to provide a sound appeal to the self-interest of the producer. This can be accomplished by intelligent use of the future contract.

We might take cotton as a case in point. For the average of the past few seasons, it may be roughly assumed that it costs fourteen to fifteen cents to produce cotton. This approximation takes the cotton belt as a whole and leaves out of consideration those isolated examples of intensive cultivation where the growing cost has dropped to six cents and even below.

A Remedy for Cotton

However, let us assume it costs fourteen cents to raise cotton. The price along in the winter, let us say, is nine cents—five cents per pound or $25 per bale below the cost of production.

Why does not the cotton grower reduce acreage? The reasons given above apply. He feels that if he reduces acreage, somebody else is going to profit by his sacrifice. Moreover, he does not believe there is much else that he can do, largely because he overlooks the fact that if he expended time and labor on improving his soil he could in the future raise a better grade of cotton at a reduced cost and get a higher price for his product.

Let us assume, however, that as a result of a campaign of education and proper organization, the cotton growers are banded together and that they agree to reduce their acreage 30 per cent, and that in lieu of this reduced acreage they buy future contracts to the extent of 4,000,000 bales or the equivalent of approximately 30 per cent of their production.

By this method they reduce the future supply to the extent of 4,000,000 bales which completely corrects the adverse statistical position.

Let it be assumed also for the purpose of calculation that these four million bales are bought at an average of ten cents per pound—thus being four cents per pound or $20 per bale below the average cost of production.

As a result of this procedure they correct the adverse technical position, cure the condition of over-supply, and advance the price substantially. Moreover, they make no sacrifice. On their contract purchases they obtain a profit of $20 per bale more than they receive on the cotton obtained from the remaining acreage planted by them. In other words, the man who plants a full acreage is at a big disadvantage compared with the farmer who buys contracts and plants a reduced acreage.

The proposal leaves entirely out of consideration the stimulating effect caused by the purchase of four million bales of contracts. Such a buying movement in itself would advance prices materially.

The Method Need Not Be Theoretical

The foregoing is merely a theoretical presentation. However, it need not be theoretical. The plan could be followed in the case of wheat or cotton, but, of course, it will be conceded that the operation would have to be conducted not by the farmers themselves, but by some well financed government organization such as the Farm Board. Admitting that the farmers themselves have not the resources or organization to carry on such an operation, it might easily be possible for the Federal Farm Board instead of pleading with or scolding the farmers over acreage reduction, to come to them with a concrete proposal such as the following: If you will make a guaranteed reduction in acreage of a given per cent, the Farm Board will buy the equivalent in contracts of wheat or cotton and turn the profits over to you. You will make more money by joining us in this enterprise than you would make by planting a full acreage. You do not have to loaf because you have not planted all your acreage in wheat or cotton. You can devote a portion of the profits you are bound to receive to the rebuilding of your soil.

If the Farm Board undertook this task with proper organization and educational publicity, it would correct the condition of over-supply and put agriculture on its feet. Moreover, the operation could be consummated without the loss of a dollar.

Such an operation would not have been possible ten or even five years ago. At that time it would have been necessary for the farmers to undertake it themselves. It seems incredible, however, that a government bureau backed by half a billion dollars would have overlooked the simplest and most practical method for curing price depression resulting from over-supply.

The suggestion is even more applicable to sugar and rubber than to the case of wheat or cotton. Most of the cane sugar of Cuba is produced by large corporations. In this case it would not be necessary to go among millions of farmers to obtain either cooperation or funds. Drastic curtailment of acreage and the purchase of an equivalent amount of sugar contracts would cure the condition of oversupply without attempting to get cooperative agreement with producers of other countries.

It should be possible for the companies owning and operating rubber plantations in the Far East to substitute concerted purchase of contracts for the tapping of trees. The rubber industry is not scattered all over the world. Production of the commodity is confined to a comparatively small area of the globe. The only requirements for a successful outcome would be the recognition of this special value of the future contract and its intelligent use to the desired end.

The future contract already has demonstrated its value to the merchant and the manufacturer. The time is coming when it will be used as a corrective for price depressions resulting from burdensome over-supply. When that time comes, it will be recognized as an economic instrument of inestimable value to the world at large.

Errata

In the July 11 issue of THE MAGAZINE OF WALL STREET, in the article, "To Get Copper Out of the Red," cost figures of A. B. Parsons as to Chile Copper's (5.42 cents) production and as to Andes Copper's (5.88 cents) production were quoted as being, in each case "after depreciation." The figures quoted should have been described as "operating costs, before depreciation."

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1928	Earned $ per Share 1929	Earned $ per Share 1930	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.73	182.20	138.50	No	91	4.4
Union Pacific	4 (N)	46.32	49.48	41.30	No	85	4.7
Atchison, Top. & S. Fe	5 (N)	40.21	49.18	30.08	No	105	4.8
Baltimore & Ohio	4 (N)	49.44	48.87	36.46	No	71	5.6
N. Y., New Haven & Hart	7 (C)	34.40	45.47	30.50	115	113	6.2

Public Utilities

Amer. Lt. & Traction	1½ (C)	17.20	21.38	20.71	No	30	5.0
Pacific Gas & Elec. 1st	1½ (C)	4.24	4.57	5.25	No	30	5.0
Public Service of New Jersey	8 (C)	§20.92	19.04	24.44	No	157	5.1
So. California Edison "B"	1½ (C)	3.23	3.61	3.63	28¾	28	5.4
Philadelphia Co.	3 (C)	20.68	27.58	28.27	No	56	5.4
North American Co	3 (C)	40.22	47.48	47.51	55	55	5.5
North Amer. Edison	6 (C)	53.15	47.48	47.51	105	106	5.7
Columbia Gas & Elecric "A"	6 (C)	30.78	33.95	26.86	110	105	5.7
Elec. Bond & Share	6 (C)	18.43	29.11	31.24	110	103	5.8
Buffalo, Niagara & Eastern Pr.	1.6 (C)	4.52	5.19	5.25	26¼	27	5.9
National Pr. & Light	6 (C)	45.38	50.22	45.16	110	100	6.0
United Corp.	3 (C)	....	4.66	6.46	55	50	6.0
American Water Works & El.	6 (C)	31.05	39.11	44.22	110	100	6.0
United Light & Power Conv.	6 (C)	....	16.62	17.44	105	91	6.6
Standard Gas & Electric	4 (C)	14.07	20.39	20.95	No	60	6.7
Federal Light & Traction	6 (C)	49.93	40.12	39.68	100	88	6.8
Electric Power & Light	7 (C)	17.00	19.03	13.39	110	100	7.0
Hudson & Man. R. R. Conv.	5 (N)	37.02	42.89	40.79	No	71	7.0
Engineers Publ. Serv. (w.w.)	5½ (C)	8.79	17.65	16.21	110	77	7.1

Industrials

Procter & Gamble (2nd)	5 (C)	185.59	151.75	178.16	115	110	4.5
du Pont (E. I.) de Nemours deb.	6 (C)	69.06	78.54	55.22	125	123	4.9
Hershey Conv.	†5 (C)	16.25	21.36	24.24	No	103	4.9
Diamond Match	1.5 (C)	....	....	....	No	28	5.4
Amer. Smelting & Refining	7 (C)	37.17	43.66	22.20	No	129	5.4
Allied Chem. & Dye	7	68.63	76.88	63.90	120	125	5.6
Stand. Brands, Inc., Cum. A.	7 (C)	123.40	129.41	111.03	120	123	5.7
Aluminum Co. of Amer	6 (C)	14.04	17.19	7.93	110	103	5.8
Brown Shoe	7 (C)	85.27	44.11	35.31	120	118	5.9
International Nickel	7 (C)	139.12	80.45	40.26	120(a)	119	5.9
General Cigar	7 (C)	62.81	85.92	64.03	No	115	6.1
Mathieson Alkali Works	7 (C)	84.50	93.91	84.68	No	114	6.1
Curtis Publishing	7 (C)	21.48	23.93	21.25	120	114	6.1
General Mills	6 (C)	18.70	18.86	20.03	115	97	6.2
Commerc. Investm. Trust 1st.	6½ (C)	45.50	81.92	90.87	110	102	6.4
Bethlehem Steel Corp	7 (C)	19.16	42.24	23.84	No	107	6.5
Bucyrus-Erie	7 (C)	39.34	48.34	35.72	120	107	6.5
American Sugar	7 (C)	14.60	15.40	12.60	No	106	6.6
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	105	6.7
Case (J. I.) Thresh. Mach.	7 (C)	32.59	35.06	25.52	No	100	7.0
Crown Cork & Seal	2.70 (C)	7.90	6.36	7.84	45	29	9.3

C—Cumulative. N—Non-cumulative. § Based on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. † Regular rate, $4. (a) After Feb. 1, 1934.

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How Leverage Works

(Continued from page 537)

mon shareholders. If it earns $4,000,000, the amount available for the common is not doubled but tripled, being $3,000,000. This set-up makes for broad variations in earnings per share of common and hence for wide fluctuation in market price between good years and bad. Thus the common stock of an investment trust, if preceded by senior securities, will normally decline farther in a bear market than in mere proportion to the decline of securities owned by the trust. Similarly, such a stock should advance faster than the underlying securities when the downward movement is reversed.

Why Business Should Experience a Fall Recovery and Why Not

(Continued from page 508)

as an example. Ultimately they wear out, beyond even the resources of the best cobblers. When that time comes to the timid soul he is compelled to buy, even though he may be as reluctant as ever to part with his cash. That critical moment seems to have overtaken countless millions in the past few months, and we have the spectacle of the shoe industry making more shoes in certain months than it did in 1929. The revival of this industry has stimulating effects in many directions. The shoe merchant makes a little money, feels like satisfying his personal requirements in other ways, employs more help, and contributes to better conditions in many other trades and services. Eventually, the consequences trickle back to the man who bought shoes because of necessity. Then he buys another pair of shoes, which he really needs but which he could have gone without a little longer.

Something like this process seems to have been operating in and on the textile industry for about a year.

The tire industry seems to have reached a period when non-deferrable replacements compel an increasing volume of buying.

That buying generates buying by others and in other lines. Increased buying means some additional employment, even though slight. Employment for men and women who have been long out of work is immediately translated into buying. Their employment, therefore, results in more employment. And so many a trickle of buying gradually comes to be a river of buying, and as the stream grows confidence grows with it and presently millions of people are again consuming goods in accordance with their accustomed standard of living.

The next step is into producers' goods. Machines have been wearing out, plants have become obsolescent, new machines and new methods are disclosed. Factory building and rebuilding sets in. Irked by long confinement to too small or disliked living quarters people begin to require more housing; and residential building sets in, stimulated by the long starvation of investment capital. The basic industries are now favorably affected, heavy freight is offered to the railways, their revenues grow, and no amount of economy pressure can prevent their employment of more men and the purchase of materials and equipment and the repair and renovation of their roads.

Advance is Always Uneven

The process of recovery has many steps and is usually uneven. Some industries recover before others. It will be recalled that well into 1922 people were still complaining of hard times and wondering when, if ever, they would depart.

According to all that we can see now the people of the United States must make this recovery without the repercussive help of initial recovery in other countries. There is no mountain of orders from other lands ready (for the tip of a loan) to fall into our laps as in 1922 and 1923. The start of better times for them must wait on better times in the United States. Not until the improvement in the United States is extended to the countries on which we draw for raw materials will the world begin to pick up. When our buying abroad begins to revive our capital will again become interested in foreign investments and enterprises. This economic relation was precisely reversed during ante-war depressions. Being then both a debtor nation, and in international relations overwhelmingly a raw material country, we were dependent upon foreign recovery. When our capital again pours into foreign countries their business activity already helped by our purchases will receive fresh impetus.

Keeping in mind the utter bankruptcy of economic prophecy for the last several years and remembering that there are possibilities of inflation that may reverse the usual course and set up production and distribution and then consumption before the gradual accretion of consumptive demand has run its normally low course, the prudent forecast for this fall is one of somewhat less than normal seasonal expansion, but with a steady undercurrent of enlarging cyclical revival. There will not be enough momentum from the seasonal betterment—chiefly because of the distressing agricultural situation—to speed up the cyclical process. The inevitable inference is that the beginning of 1932 will find us still below normal, but quite visibly on the upgrade and in sight of the next summit or, preferably, plateau.

Profiting by the Market's Technical Condition

(Continued from page 535)

Graph (1), and so a study of the transactions during that period will afford an ideal illustration of pure chart reading. The swift upturn on August 23, accompanied by heavy volume, followed next day by a close below the mid-point after the stock had registered a new high, suggested the coming reaction. On August 29, the stock declined to the upper boundary of the resistance zone established on August 21 and 22, closing above the day's mid-point. Volume on the 29th was not only less than at the previous low on the 21st, but also far below that on the rise of the 23rd and 24th. Since an important upturn seldom ends with the first peak, we would have been well warranted in buying Steel next day for a quick trading profit. The secondary peak that was established on September 3 brought a new all-time high record for Steel; but the price closed near the day's low, far beneath the mid-point. Volume that day was less, however, than at the previous peak of August 23. Clearly this was the end of the secondary rally, and probably the end of a major upward swing; so that traders and investors alike would have been prudent to dispose of their holdings immediately. If any doubt remained that the end had come it should have been dispelled by the volume on next day's decline, which was not only much heavier than at the previous bottom on August 29, but even greater than at the previous day's peak.

News developments which accompanied the transactions in Graph (2) left no doubt that powerful interests were determined to adopt constructive measures to improve sentiment and bring about a recovery in business. The discount rate and the Reserve Board's buying rate on acceptances had recently been reduced to the lowest level on record. On June 3 leading brokers and financial institutions reduced to 20% their standard margin require-

ment on security loans. This was followed by submission to the Interstate Commerce Commission of a proposal to increase railroad freight rates. Several favorable Supreme Court decisions helped further to improve sentiment. The heavy existing short interest naturally became panic-stricken, as evidenced by the sharp rise in prices during June 3, 4, and 5.

The subsequent sagging movement was the logical consequence of a technical condition weakened by extensive short covering. Moreover, the news was out for the time being. Please note, however, the rapidly diminishing volumes on this secondary reaction, along with the fact that prices failed to reach the old low of June 2. This reaction was followed by the moratorium rally which set in on June 22.

Completion of Market Readjustment Necessary

(Continued from page 505)

be of domestic, rather than foreign, influence. The two outstanding possibilities are that the Farm Board's huge holdings of wheat and cotton will be impounded and that the Federal Reserve Board will decide to pump credit actively into the market through heavy purchases of Government bonds. At what the Reserve Board feels to be the psychological moment, whether this autumn or next spring, application of the latter remedy probably can be taken for granted.

Steel Colossus Surrenders to the Inevitable

(Continued from page 518)

Unfortunately construction has been the only active market for steel during the past year. Due to the aggressive campaign made by President Hoover's Committee for Employment, Federal, state and municipal governments have increased their appropriations for buildings. And semi-public institutions have been encouraged to engage in construction that otherwise would not have been brought out at this time. All of the steel needed for these projects might have been sold at far more reasonable prices had it not been for the intense rivalry between rolling mills for the business.

The under-cover competition in price has not been limited to the construction field, but is an evidence of what lies behind the quoted prices on steel products. The many schemes employed by producers to cut the price on steel purchases of automobile manufacturers, by absorbing freight or switching charges, etc., has finally brought to the front the proposal to make Detroit a basing point for automobile steel. That, at least, would develop the real market price on automobile steel whereas today the public is acquainted only with the theoretical prices quoted.

In the midst of the change and flux that beset the steel industry there is nothing in sight that threatens to displace steel as the premier material of the heavy and machinery industries and as the principal framing material of all large structures. Moreover, there is before steel an immense field in which it is not yet visible and that is the framing and even the walls of detached residences and other small structures. The present period of stress is giving time for the study and development of new uses. On the other hand, due consideration must be given to the fact that the great age of new construction is over in the United States. Steel is now confronted with something like the saturation point that has already overtaken the automobile industry with respect to the domestic market. To expand it must find new uses at home and wider foreign markets for its products. The former is probable and the latter dubious except in the form of machinery and other finished products.

Drug, Inc.

(Continued from page 531)

on the asset side of the balance sheet is the inventory of $26,000,000. This is almost exactly the same as was the case on December 31, 1929, and is an increase of less than $3,000,000 over the same item at the end of 1928. It is evident from these figures, in view of the great expansion undertaken by the company in the meantime, that great control has been exercised for which one must give the management all credit, as nothing is more difficult to control, nor more disastrous when allowed to run wild, than an inventory during a time of rapidly declining commodity prices.

The management of Drug, Inc., is in the hands of men long experienced in the business. Louis K. Liggett, who in 1902 founded the firm which became the old United Drug Co., is chairman of the board. All other directors are active officials in the company and many have spent their entire business lives in the same or similar fields. This wealth of experience doubtlessly contributed to Drug's excellent showing during the present time of general adversity, although the company's inherent advantages must also have been a powerful influence. The present $4 annual dividend has been paid on the company's common stock since organization and in view of the fact that there is every likelihood of its being earned during the present year by a margin greater than 50%, the issue at $71 a share, yielding more than 5½%, appears to be an attractive long-term investment holding, suitable for accumulation in periods of market weakness.

Trade Tendencies

(Continued from page 538)

the industry's fall prospects, these will naturally depend to a great extent upon general industrial activity, particularly on whether the improvement is greater or less than seasonal.

The industry itself, however, can be counted on to do everything in its power to stimulate demand. New models will be introduced, new gadgets stressed in a flood of advertising and further efforts made to improve styles. Opinions vary as to the extent of the success which will be attained by such campaigns, but among the more con-

(Please turn to page 556)

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, July 20	84.09	144.48	79.59	132.98	131.73	704,430
Tuesday, July 21	84.10	146.70	80.99	135.05	132.98	1,148,230
Wednesday, July 22	84.03	142.52	79.85	133.47	130.97	992,840
Thursday, July 23	83.79	142.63	79.47	131.72	129.93	786,370
Friday, July 24	83.61	139.01	77.90	130.47	127.78	1,063,980
Saturday, July 25	83.69	138.24	77.79	128.16	127.45	412,575
Monday, July 27	83.54	139.64	76.92	128.67	126.91	572,580
Tuesday, July 28	83.56	141.53	77.55	129.64	127.99	649,426
Wednesday, July 29	83.55	136.19	75.01	127.28	124.32	1,569,135
Thursday, July 30	83.38	136.93	74.69	126.05	123.20	1,353,480
Friday, July 31	83.32	135.39	73.44	125.55	122.53	1,219,650
Saturday, Aug. 1	83.14	136.65	73.50	125.14	123.57	398,320

"Tips" on Books

Book Review Section of The Magazine of Wall Street

BANK SECONDARY RESERVES AND INVESTMENT POLICY

By Paul M. Atkins

Bankers Publishing Co.

THE average reader has a new term to puzzle him. For several years "secondary reserve" has been creeping into the conversation of bankers, and now no financial vocabulary is complete without it. At first its meaning was somewhat hazy, but it has gradually reached a point where it can be more clearly defined.

The author, engineer-economist for Ames, Emerich & Co., Inc., has not only given a clear-cut definition but has written a splendid book on the general subject of investment policies of commercial banks, laying particular stress on the section devoted to secondary reserve. In gathering his material, he discussed the subject with some three hundred bankers, all of whom contributed valuable information. Though he found that there was little uniformity of practice among them in the purchasing of securities, he was able to base certain tentative conclusions on the results of the study. These were in turn submitted to certain recognized authorities in the field of banking for criticism. Finally, on the basis of these criticisms and the preliminary analyses, it was possible to formulate certain general policies for the proper maintenance of a secondary reserve.

The primary reserve of cash on hand and deposits with correspondent and Federal Reserve banks is, of course, the first to be used to meet the withdrawals of depositors. But the secondary reserve, while contributing to the bank's earnings, must possess sufficient liquidity to replenish the primary reserve when necessary. For this purpose the author finds bankers' acceptances, commercial paper, call loans, and United States government bonds the most generally used, though with judicial discrimination, there is little reason why high-grade municipal, utility, railroad, and even selected industrial bonds should not be included. As a secondary reserve must answer the requirements not only of safety and liquidity but yield as well, the last mentioned securities would seem to offer certain advantages to supplement those found in the more generally accepted forms of reserve.

Bankers might well find the book of aid in deciding upon the proper diversification of funds. However, it is not so technical that it cannot be read to advantage by anyone desiring a general knowledge of the investment phases of commercial banks. M. S. D.

THE END OF REPARATIONS

By Hjalmer Schacht

Jonathan Cape and Harrison Smith

GERMANY'S position today is comparable to that of a commercial enterprise, insolvent because of impairment of working or circulating capital, and unable to meet current obligations until time has been granted to work out a plan that will enable it to function again as a solvent body. The heavy burden which reparations imposes upon that Teutonic power has been draining her of that all important liquid capital so necessary to the healthy economic life of a large industrial nation. A default in the payment of reparations was imminent when a one-year moratorium was granted by the former Allies.

In his recent book, "The End of Reparations," the former president of the German Reichsbank, Dr. Hjalmer Schacht, — albeit with considerable national and personal bias—exposes the whole reparations muddle and the impossibility of continuing payments under present conditions, particularly with tariff barriers everywhere to prevent Germany from building up an export credit balance sufficient to meet such payments from going operations. Detailed proof is furnished to show that she has been paying reparations out of foreign borrowings, an expedient which of course can be resorted to for only a while. And to keep peace at home, governmental expenditures in Germany, both national and local, have not been spared. These, though they alleviate the serious unemployment situation, aggravate still further the financial condition of the country.

The reparations question is at the root of Germany's troubled condition. Having already paid over 11 billion dollars, as Dr. Schacht estimates, the further exacting of tribute over a long period of years—and the Germans honestly believe it is just this—becomes onerous. We have by no means heard the end of the muddle, and those who wish to inform themselves of a German viewpoint by an eminently qualified spokesman should read the book. H. W. K.

(Continued from page 555)

servative observers it is generally held that, despite everything the industry might do, output for the entire year 1931 can hardly reach 2,500,000 units, which would represent a decline of some 25% from last year's total.

CANNING

Smaller Output Now Confirmed

The suspicion that total vegetable packs would be smaller this year than last has been confirmed in recent reports. It is now thought that the peach pack, due partly to artificial restriction in California, will be some 30% under that of last year, while the decrease in the canning of peas is likely to be even greater and it may possibly be as much as 40% lower. Should the latter eventually come to pass, the pack would be the smallest since 1927. Last year there were some 22,000,000 cases of peas put up, so that a reduction to about 13,000,000 cases, coupled with the reduction in the peach pack, will obviously have a substantial effect upon the output of the three big can companies. Such a decline might, of course, be offset by bumper crops in other lines. There is nothing to indicate, however, that such a possibility is likely, for the weather has not been particularly favorable in its effect upon the other two principal canning crops, corn and tomatoes. In fact, it is thought that slightly less than the 33,000,000 cases of these two vegetables packed in 1930, will be achieved this year. On the other hand, the production of general line cans used in the case of paints, oils, shoe polish and a hundred other things has been hit by the depression, despite the fact that the number of products being sold in these containers is being expanded everyday. If further confirmation of the somewhat poorer near-term outlook for the can manufacturers be needed, there is the declining activity in the tin plate mills. Here, it is said that production is running at the rate of about 56% of theoretical capacity, which compares with 80% or more at the same time last year, and that an even more unfavorable comparison with 1930 may be expected during the coming weeks.

Part II of The Mid-Year Dividend Forecast Will Appear in the Next Issue.

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